

INSTITUTIONS, INTEREST GROUPS AND MARINE  
RESOURCES POLICY

The development of fisheries - oil and gas policy in Bass Strait

by

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Submitted in fulfilment of the requirements

for the degree of Master of Arts

University of Tasmania

November 1986

## DECLARATION

This thesis contains no material which has been submitted for the award of any degree or diploma in any university or college and to the best of my knowledge and belief the thesis contains no copy or paraphrase of material previously written or published by another person except where due acknowledgement is made in the text of the thesis.

Marcus G. Haward  
November 1986.

## ACKNOWLEDGEMENTS

During the course of this project numerous people have provided assistance in a variety of ways.

First and foremost my thanks go to my supervisor, Dr. Bruce Davis, for his interest in the study and his unending patience and encouragement during the writing of the thesis. My thanks go also to Dr. Richard Herr who, in introducing me to the area of fisheries and marine policy, provided the catalyst for this thesis. Dr. Ralph Chapman provided critical appraisal of my ideas and writing which contributed to a strengthening of the methodology and theoretical framework of the study.

To Jennie Mawbey my thanks for first being a patient teacher and troubleshooter on the word processor and second ensuring that the thesis would appear promptly. I thank Joan Boothroyd of RAFT who provided a legible draft from my written scribble.

I acknowledge the interest and support of Dr. Laurie Hammond of the Victorian Institute of Marine Sciences (VIMS), and the award of a VIMS Supplementary Grant in 1985. This grant ensured that Bass Strait was less of a barrier than sometimes appears from the "Island State", and also enabled me several hours contemplation of Bass Strait from 20,000 feet.

Without the interest and support of a large number of people this thesis could not have been written. My thanks go to the members of the Commonwealth, Tasmanian and Victorian governments and bureaucracies and representatives of industry groups and corporate bodies for providing key material for the study. I owe a considerable debt to a number of individuals, academics and fellow students who at various times were prepared to discuss particular issues surrounding the development of various aspects of marine resources policy. My thanks to all.

Finally my thanks to some long suffering friends for living through the gestation of "the thesis".

## NOTE

Distances, except where indicated in the text, refer to nautical miles, a standard maritime measure of distance. A nautical mile is equivalent to 1.15 statute miles or 1.84 km.



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## ABBREVIATIONS

AFC: Australian Fisheries Council  
AFS: Australian Fisheries Service  
AFZ: Australian Fishing Zone  
AFIC: Australian Fishing Industry Council  
AMEC: Australian Minerals and energy Council  
AMIC: Australian Mining Industry Council  
APEA: Australian Petroleum Exploration Association  
BMR: Bureau of Mineral Resources  
C(B)B: Cash (Bonus) Bidding  
CFB: Commercial Fisheries Branch  
DPI: Department of Primary Industry  
DRE: Department of Resources and Energy  
DSF: Department of Sea Fisheries  
EEZ: Exclusive Economic Zone  
EFZ: Exclusive Fishing Zone  
FIPCA: Fishing Industry Policy Council of Australia  
FWS: Fisheries and Wildlife Service  
IFICP: Interim Fishing Industry Consultative Panel  
IPP: Import Parity Pricing  
LWM: Low Water Mark  
NFIC: National Fishing Industry Council  
OCS: Offshore Constitutional Settlement  
PFAT: Professional Fishermen's Association of Tasmania  
RRT: Resource Rent Tax  
SEFC: South Eastern Fisheries Committee  
SLC: Scallop Liaison Committee  
TFDA: Tasmanian Fisheries Development Authority  
TFIC: Tasmanian Fishing Industry Council  
TSFA: Tasmanian Scallop fishermen's Association  
VFIC: Victorian Fishing Industry Council  
VPFA: Victorian Professional Fishermen's Association

## ABSTRACT

This study examines the development of marine resource policy highlighting the interaction between resource management institutions and resource user interest groups, and the effect of this interaction on both the policy process and policy output concerned with fisheries and offshore oil and gas policy in Bass Strait. It is argued that this interaction, and policy development, can best be explained as occurring within issue communities composed of a range of policy actors (the institutions and interest groups) concerned with specific aspects of fisheries and/or offshore hydrocarbons policy.

It is claimed that this interaction between actors cannot be adequately treated using the existing institutionalised structures concerned with the formulation of fisheries and/or oil and gas policy, and that such interaction within an issue community is likely to result in the emergence of specific accommodating institutions in the policy environment. This proposition is developed through the examination of two case studies dealing with policies developed in the period 1983-85, first, the introduction of a management regime for the Bass Strait scallop fishery, and second, the introduction of a resource rent tax and cash bidding policies in the offshore petroleum sector.

The thesis examines specific issues from Australia's emergent marine policy agenda, which although increasing in significance, given both international and domestic political developments in the period 1965-1985, has tended to be ignored by most commentators on Australian public policy. The impact of international developments such as the United Nations Third Conference on the Law of the Sea, (UNCLOS III), in providing extended (200 mile) jurisdiction over marine areas for coastal states, has increased the visibility of issues concerned with marine resources policy. This impetus from UNCLOS III has coincided with domestic issues which provide the background of this thesis, the developments associated with what is termed the evolution of Australian offshore federalism. The impact of inter-governmental relations between the Commonwealth and States on fisheries and offshore oil and gas policy, provides the policy environment within which the interaction between various institutions and interest groups takes place.

## CHAPTER ONE

### INSTITUTIONS, INTEREST GROUPS AND MARINE RESOURCES POLICY: AN INTRODUCTION

#### 1:1 INTRODUCTION

The study of marine resources issues has been a relatively neglected area of policy analysis in Australia until comparatively recently (Bergin, 1983; Haward, 1986). This thesis attempts to partially remedy such neglect by examining policy issues about the Bass Strait region, using a frame of reference drawn from public policy literature. The primary focus is on interaction between policy making institutions and interest groups concerned with specific aspects of marine resource policy. Examination of the interaction between different policy actors may provide an insight into how and why particular policy options were implemented, why particular issues emerged and what impact the different actors achieved on the processing of issues.

The study emerged out of a concern with the development of resources policy in Bass Strait, where it became apparent that when numerous interests were involved in the policy process, interaction over policy options became complicated and contentious. The relevance of the work of Richardson and Jordan (1979) on policy development became apparent, as their thesis, concentrating on the close relationships between institutions and interest groups, argues that policy is developed in communities arising out of the interaction between institutions and interest groups (and occasionally other actors); a proposition that can be analysed empirically. Richardson and Jordan argue that interaction between institutional actors and interest groups

is an important influence on both the policy process and the outcome. There are other perspectives, nonetheless the framework of analysis adopted by Richardson and Jordan seems potentially useful. Accordingly this particular study tests the validity of the Richardson and Jordan proposition by reference to specific marine resource policies in Bass Strait.

Central to the Richardson and Jordan model is the notion of issue communities. These communities, centred on specific issues, form an interaction network amongst different policy actors. Actors may be drawn into the "issue community" as they attempt to influence the output of the policy process. "Outputs" can be identified as legislation, policies and guidelines assumed to facilitate the management of marine resources, (fisheries and hydrocarbons), within the Bass Strait region of South Eastern Australia. Although outputs are perhaps the most obvious and easily identifiable aspects of the policy process, the Richardson and Jordan approach is particularly useful as it provides a means of examining the impact of interaction on policy style and process responsible for determining these outputs. The importance of the "machinery" in determining output is somewhat neglected in existing studies of marine resources policy.

It will be argued that institutional actors (i.e. Ministerial Departments or government agencies) are particularly important in the development of these resource management policies, through their influences on the extent and impact of interest group involvement in the emergent issue communities. The attempts of institutional actors to maintain the initiative and keep the issue manageable, (in their terms)



during interaction amongst diverse interest groups constitutes an important element of policy process, becoming known in the literature as "agenda control" (Stringer and Richardson, 1980).

An additional major influence on the development of Australian marine resource policy is the notion of "offshore federalism", the constitutional and judicial evolution of Australian experience within a system of shared responsibilities between Commonwealth and State governments. Management of marine resources takes place within the context of the complex environment of Australian "offshore federalism" (Cullen, 1985) with interaction between actors reflecting, and being influenced by, the features of a federal political system. Development of policies concerned with the management of marine resources in Bass Strait, which separates the island state of Tasmania from mainland Australia, are closely influenced by the features of this "offshore federalism".

Implicit in the argument developed in this study is a view that the traditional perspectives of policy making as the sole preserve of Ministers and bureaucrats is no longer relevant. The increase in influence of the bureaucracy in formulating and implementing delegated or subordinate legislation indicates that public agencies are no longer limited to a role concerned with implementation of policies. The "decline of parliament thesis" proposed by a number of writers on the Westminster system focusses on the emergence of "extra-parliamentary institutions" in the development of "policy" within the political system; that is through a widening of the polity. The "issue community thesis" underscores these arguments claiming, as has been stated, that

policy is developed through the interaction of a multiplicity of actors, inside and outside the formal institutional framework for policy making. It is from this range of actors with an "interest" in particular aspects of policy, (whether as individual actors, interest groups or corporate bodies), together with their associated institutions that the issue community develops.

## 1:2 PREMISES, SCOPE AND LIMITATIONS

An initial premise concerning the analysis of marine resource policy has been identified above. It is postulated that the issue community model provides an appropriate framework within which policy development and implementation can be studied; since it considers policy emerging from the interaction of different policy actors. Such interaction can be seen to relate to who gains (or loses) during the development of policy and in terms of policy process and outcomes, i.e. "what difference it makes" (Dye, 1984:xi emphasis added).

Within the broad areas of fisheries and/or offshore oil and gas resource policy, the study is concerned with the emergence, processing and implementation of specific issues, (such as the introduction of a management regime for a specific fishery of Bass Strait and the introduction of revenue policies for hydrocarbon developments), chosen for their contemporary relevance and as typical of the management issues facing the decision makers. It is considered that the patterns of interaction identified in particular case studies may have application in the analysis of broader issues concerning other marine resources or marine policy issues such as marine pollution policy or the establishment of marine parks or reserves. The issues chosen are, first, the

development of a scallop fishery management regime in Bass Strait, and secondly the introduction of new revenue policies in the petroleum sector, the introduction of a Resource Rent Tax (RRT) and cash bidding, (sometimes called cash bonus bidding - CBB) for offshore titles.

Bass Strait contains a rather diverse marine resource base, including major fisheries, (utilising a range of species) and Australia's current largest oil and gas production facilities, but also involving other prospects such as the alginates industry derived from kelp processing, outside the scope of this study. Further, the development of policies concerning the management of these resources in Bass Strait is greatly influenced by the maritime boundary between the States of Tasmania and Victoria. The delimitation of this boundary first occurred in statutes enacted in 1825 and although this original baseline is largely anachronistic in terms of contemporary federal-state relations, the issues surrounding marine resource management are integral to the question of jurisdiction and extra-territorial legislative competence which effect development and implementation of policy. Bass Strait, through accidents of history and the "evolution" of Australian federalism, involves an overlapping State and Federal administrative and political system, responsible for fisheries and oil and gas resources policy. The development of these policies involves the States of Tasmania and Victoria and the Commonwealth in what can become complex intergovernmental negotiations. This federal structure has the effect of markedly increasing the number of institutions involved in policy development and multiplying the number of interests affected by these decisions. The issue communities that

develop over issues concerned with marine resources policy in Bass Strait are therefore likely to be complex, reflecting the character of the political and administrative overlays in Bass Strait policy. In addition the development and implementation of policies deriving from the interaction within issue communities is likely to involve a long time frame prior to implementation, given the multiple number of actors involved and the presence of intergovernmental overlays.

The preceding paragraphs have identified the scope of the thesis, but some limitations must also be noted. Limiting the study to interaction concerning two principal policy issues provides a manageable "task environment" but may also oversimplify the situation. The adoption of a public policy approach was deliberately undertaken, as little analysis of Australian marine policy has been made using a political/administrative framework, compared with research into aspects of marine science, economics or law. Attempting to examine policy issues drawn from the current political agenda provide some limitations to the study; for example one cannot stand back and trace the involvement of key actors with the benefit of hindsight on the format of the policy. It is necessary to carry out detailed research on the membership of each issue community. This problem is regarded as a minor limitation, as such research highlights the dynamic nature of the issue community, in itself an important factor in the development of policy.

A case study approach has been adopted, involving a range of sources of empirical evidence. The major sources of data were secondary sources, chiefly published reports and papers, although important data was obtained by interviews, (primary sources). These interviews were

with resource managers and policy advisers as well as with representatives of interests in each case study. Industry publications provide a source of industry viewpoints and were utilised extensively. Examples of these publications include Australian Fisheries, Fin-Tas and the APEA Journal. A range of academic journals in the fields of political science and public administration and secondly marine science contain relevant material. The former includes specialised publications such as the Petroleum and Mining Law Journal (Aust), which includes articles on the administrative and legal regimes of offshore hydrocarbon developments. The latter publications include Coastal Zone Management Journal (USA), Marine Policy (UK), and Maritime Studies (Aust) to provide an indicative list.

The case study research, utilising as it does "current issues", meant that the media provided a further source of data. Where possible, media reports were verified from the releases from various government agencies. Since both the issues forming the case studies were extensively covered in the print and electronic media, media releases, press statements together with media reports provide an additional source of data. For example the scallop fishing issue was extensively covered by Tasmanian print and electronic media, and the oil tax and rent issue was the focus of media coverage by the financial press, for example the Australian Financial Review, Australian Business and Business Review Weekly.

Interviews were undertaken throughout the course of the research during 1985 and 1986. The interviews with individuals representing institutions and interests within both areas of policy were important

sources of information. Interviews were semi-structured although a formal questionnaire format was rejected early in the research in favour of key questions; allowing the interview to develop, rather than being constrained to a predetermined pattern. Interviews were sought with major actors, the exceptions being the Australian Petroleum Exploration Association, (APEA), and the Department of Resources and Energy, (DRE), where, due to constraints of distance, correspondence was undertaken. The interviews ran for varying lengths of time, with follow up interviews undertaken where more information was sought.

Additional sources of data included parliamentary Reports and Papers and Hansard, as well as un-published information bulletins and briefing papers. A range of publications from each government were utilised at various stages, ranging from Yearbooks and administrative guides to departmental reports. These "internal" publications have varying degrees of authority, and their use in the research for the case studies depended on their status.

### 1:3 OBJECTIVES OF THE STUDY

As earlier indicated, the principal aim of the thesis is to study the interaction between different policy actors over issues concerned with the management of marine resources, with a view to provide an insight into how these policies are developed and implemented.

From this central focus an argument is developed that issue communities highlight the inadequacies of existing institutional structures for the development of policy. More particularly the

resolution of differences between the members of the issue community that arise out of interaction is likely to prove difficult, given the limitations of the institutional framework. Notwithstanding the attempt at institutional controls over the involvement of interest groups, the resource user interest groups are seen as an important feature of this particular policy arena.

The proposition is therefore that there will be a tendency to create new structures within the institutional framework in order to deal adequately with representative non-institutional interests, chiefly from the principal resource user groups, as a result of interaction between these political, corporate, administrative and community actors during the "policy process".

#### 1.4 OUTLINE OF THE THESIS

The public policy framework from which the analysis undertaken in this study derives, forms the first substantive chapter in the thesis, Chapter Two. This chapter allows the concepts of the issue community, and policy interaction to be considered in detail. An examination of aspects of the policy process literature, although brief, allows the key features of a range of perspectives on the process to be examined. Two models of the policy process/cycle, Jenkins (1978) and Hogwood and Peters (1983), are used to reinforce the view that interaction between actors can be seen to occur within three major phases of the policy process or cycle. These phases are first the emergence of issues, second, the processing of issues and finally the implementation of policy. As these phases have an influence on the character and operation

of the issue community, through the level of interaction experienced at each phase, discussion of the key features of each of the phases of what has been termed the "policy cycle" (Hogwood and Peters 1983) is useful.

Chapter Three provides an survey of the main features of the policy environment which provide a background to the development of specific resources policy. These features include the characteristics of the Bass Strait region which also delimits the study area. In terms of the management of marine resources the evolution of Australian offshore federalism since the Second World War provides an important set of parameters within which to place the development of particular policies. In terms of the constitutional and legislative framework for both fisheries and hydrocarbons management, the major shift in constitutional control over the territorial sea towards the Commonwealth in the early 1970s and the political "settlement" of intergovernmental conflict which arose out of this centralism which occurred in the late 1970s, are important. The regimes deriving from this settlement and institutional framework for the implementation and administration of marine resource policy, (providing key actors within the specific issue communities) are also examined. This chapter provides a background to the complex policy environment surrounding marine resource policy, from which the specific issues emerge, and which supports issue communities based on these issues. This policy environment derives its complexity from the particular character of Australian offshore federalism.

The fourth chapter considers the main features of the Bass Strait fishing industry, emphasising the regional and localised character of



an industry based on a number of small ports around the margin of the Strait. An assessment of the landings from Bass Strait in terms of the value of the catch and its tonnage indicates that the Strait produces twenty two per cent of the value of production and eighteen per cent of the live weight of the Australian catch. The utilisation of a diverse range of fish, crustaceans and molluscs as well as the regional character of the fishery is seen as a major influence on the development of policy, with groups organised around membership based on home ports, species or industry sectors providing the potential for differences to arise among these interest groups. These differences have to be resolved as issues are processed or policies concerning the management of these resources developed and implemented.

From this general survey the development of a management regime for the scallop fishery of Bass Strait is examined in detail. The differences in management adopted between Tasmania and Victoria are emphasised. The methods of licensing, the major controls of access to resource stocks by scallop fishermen adopted in Tasmania and Victoria, emphasises these differences. The multiple endorsement, open entry system operating in Tasmania is contrasted with the single fishery licence, and limited entry criteria used in Victoria. Emerging problems in the management of the scallop fishery in Bass Strait led to the introduction of the Bass Strait Scallop Management Regime which forms a case study of policy interaction. This case study first emphasises the problems in developing policy in a large and complex issue community, and second indicates the importance of institutional controls over the interaction of interest groups. The development of the Bass Strait Scallop Task Force, which incorporated representatives of industry

groups from both States, is an example of the need to develop adequate structures to incorporate interest groups in the policy process. The Task Force can also be seen as an attempt to develop what Richardson and Jordan have called a "preferred relationship" of interaction between actors. The Task Force also allowed the key institutions to keep the issues surrounding scallop management manageable. Prior to the introduction of the Task Force little progress had been made in resolving policy differences between institutions responsible for, and interest groups concerned with, the management of the scallop fishery from the States of Tasmania and Victoria. The second part of this chapter provides an analysis of the scallop case study applying the analytical framework developed in Chapter Two to the evidence provided in the case study.

This section of the study also provides an insight on the lack of progress in the resolution of the management issues when they remained State based, that is the issue initially concerning Tasmanian fishermen was the increasing visibility of Victorian boats in what were perceived as Tasmanian waters, rather than changes to management practices. This relates to the importance of the presence of an overlapping system of jurisdiction in Bass Strait, discussed previously in Chapter Three, where the competence of the States to resolve the scallop fishery issues was in doubt prior to agreements on the OCS package.

The next chapter, Chapter Five, examines issues concerning oil and gas policy in Bass Strait. From a general overview the development of the Resources Rent Tax (RRT) and Cash Bidding for offshore titles (CBB)

provide a case study of interaction over offshore oil and gas "rent" issues. The history of exploration for Bass Strait oil and gas and the development of the hydrocarbons production system, with its links with constitutional and intergovernmental features of offshore federalism, described in Chapter Three, provides an introduction to this chapter. Some sections of the chapter outline the development of offshore petroleum revenue policy between 1964 and 1984 and the mechanisms of the work programme system of tenement allocation which had been undertaken since the initial Gippsland exploration programme. The issues that form the case study can be viewed as the latest "succession" in a continuing incremental "style" of policy making. The RRT/CBB issue community involved interest groups, including the major industry organisation and individual petroleum exploration companies interacting with the Commonwealth government over the introduction of the two separate yet related issues. The Commonwealth has pre-eminence over the States in revenue policy making for offshore resources outside the States territorial competence. The second part of this chapter provides an analysis of the interaction over these issues, again applying the framework examined in Chapter Two. The "pattern of interaction" over these oil and gas issues is interesting, as the issues were placed on the agenda by the then recently elected Commonwealth Minister for Resources and Energy ensuring that the focus of interest groups was not in the first instance the State or Commonwealth bureaucrats as was the pattern of interaction experienced in the fisheries case study.

The final chapter of the thesis considers the issue community framework as a means of examining policy development. The impact of interest groups in the development of the policies which emerged out of

the interaction over the two marine resource management issues emphasises the importance of institutional actors within these communities. The hypothesis concerning the impact of interaction within these issue communities on the institutional framework for the development of marine resources policy is examined and some conclusions concerning the impact of interest groups on the development of marine resource policy are made. The study concludes with an assessment of the use of a public policy orientation to examine the impact of institutions and interest groups in the development of marine resources policy.

It is not claimed that this is the only feasible interpretation in explaining the interaction process, but rather that the approach adopted, together with the analytical framework proposed, permits one to more easily comprehend interaction among participants and the general dynamics of the policy process. The approach adopted tends to emphasise process, rather than policy outcomes or policy content, and thus has some inherent, but nonetheless marginal, weaknesses. It is felt that the advantages of the approach adopted outway these disadvantages, as all approaches have particular strengths and weaknesses.

## CHAPTER TWO

### ISSUE COMMUNITIES, THE POLICY PROCESS AND INTERACTION

#### 2:1 INTRODUCTION

This chapter is concerned with providing a theoretical perspective to the analysis of the interaction between different policy actors seen as comprising a specific issue-community within the policy environment. The study and analysis of public policy making has developed greatly in the last twenty five years. Policy analysis has been described as "the thinking persons response to demands for relevance", (Dye, 1984:v) through its focus on the "description and explanation of the causes and consequences of government activity" (Dye, 1984:3 -original emphasis). An ever increasing number of studies have concentrated on various aspects of policy analysis, conveniently summarised as comprising seven main categories: studies of policy content, policy process, policy outputs, evaluation studies, information for policy making, process advocacy and policy advocacy. (Hogwood and Gunn, 1984: 26-27; Ham and Hill, 1985:8-10)

The study of interaction between the institutions responsible for policy development and implementation, and those interest groups which attempt to influence processing of policies, involves analysis which at times may overlap between the categories described by above. Interaction, the actions and reactions between different policy actors within a specific policy or issue arena, can be examined from a number of perspectives. Given the particular policy environment within which

marine resources policies are developed, where resource user groups are actively encouraged, (or discouraged), to provide input into the development of policies concerning the management of natural resources, this interaction can be examined through the concept of issue communities developed by Richardson and Jordan (1979).

In order to analyse the development of specific marine resource management issues from a public policy perspective, the framework by which this analysis is to be undertaken needs to be discussed. By considering a theoretical framework prior to empirical evidence, one can be accused of forcing the theory to "fit" the data, rather than using the theory to illuminate and explain the data, nonetheless, it is felt that theoretical framework should be placed at the beginning of the study and applied to the issues in later chapters.

This theoretical framework, utilising as it does the Richardson and Jordan proposal for communities of "interest" as the basis for policy development, argues that traditional models of the policy environment and to a lesser extent the policy process are in need of revision. The issue community model is not solely concerned with the environment in which policy agendas are set; the means by which the policy options are processed and implemented are equally important. The issue community model is therefore concerned, even if implicitly, with the notion of the policy process. It is argued here that the Richardson and Jordan model provides an useful framework for the analysis of interaction between different policy actors, although the model does have weaknesses, in that it does not explain adequately the barriers to interaction by these interest groups or the tendency for institutional actors to control the

policy process. Even though institutional actors may attempt to keep issues manageable and hence act as "gate keepers" (Cobb and Elder, 1983) for the entry and departure of interest groups to and from the policy arena, or to control information flows, the issue-community model retains utility as a framework within which to examine the interaction between institutions and interests concerned with fisheries and offshore hydrocarbons policy.

The structure of this particular chapter reflects the main features of the framework proposed. The "issue community" concept is examined in detail, including a consideration of the difference between "issues" and "policies". The examination of the differences between issues and policies leads logically to an examination of policy process or agenda-building. This process is perceived to be initiated by the emergence and processing of issues and concludes with the implementation of policy, providing support for the study of interaction between interest groups and institutions based on issues rather than policies. Interaction within specific issue communities, located within the broad policy environment concerned with marine resource management, is linked closely to the setting and operation of what has been called the policy agenda, (Cobb and Elder, 1983; Hogan, 1986). This interaction is controlled by a range of institutional actions including issue identification, agenda setting and control, all of which influence the participation of interest groups in policy making. The "management" of interaction within the issue community is a major concern of this study; the extent to which this interaction is influenced by the actions of bureaucratic actors in first, the formation and operation of the issue community and second, the emergence, processing and implementation of

issues and policies may have important effects on the form of policy outputs.

## 2:2 THE ISSUE COMMUNITY

An underlying theme of much of the literature on policy development concerns the fact that increasingly, policy emerges from within a complex social and political environment, where more and more actors are involved in the process of making policy. The presence of such an environment was observed by Heclo (1975) and forms the basis for the thesis developed by Richardson and Jordan that, not only are a range of interest groups present in the policy environment, but policy is likely to be markedly influenced through the active involvement of such interest groups, the groups constituting "issue communities" with key institutional actors responsible for policy development. The membership of issue community is obviously important both in terms of defining the concept and providing a means of assessing the impact of interaction between the actors which comprise these communities

The increasing visibility and involvement of interest groups in interaction over issues constituting the policy agenda has led to a re-examination of the traditional perspectives of policy making. The Westminster system, whether in its classic form or as the Australian "mutation" (Thompson, 1980) is based on the concept of responsible government where the parliament was perceived as the key institution, and as having important functions in the development of policy. It is almost universally recognised that the situation is far more complex than this. In a society containing a plurality of interests there will be many, and diverse, inputs into the policy process. Richardson and



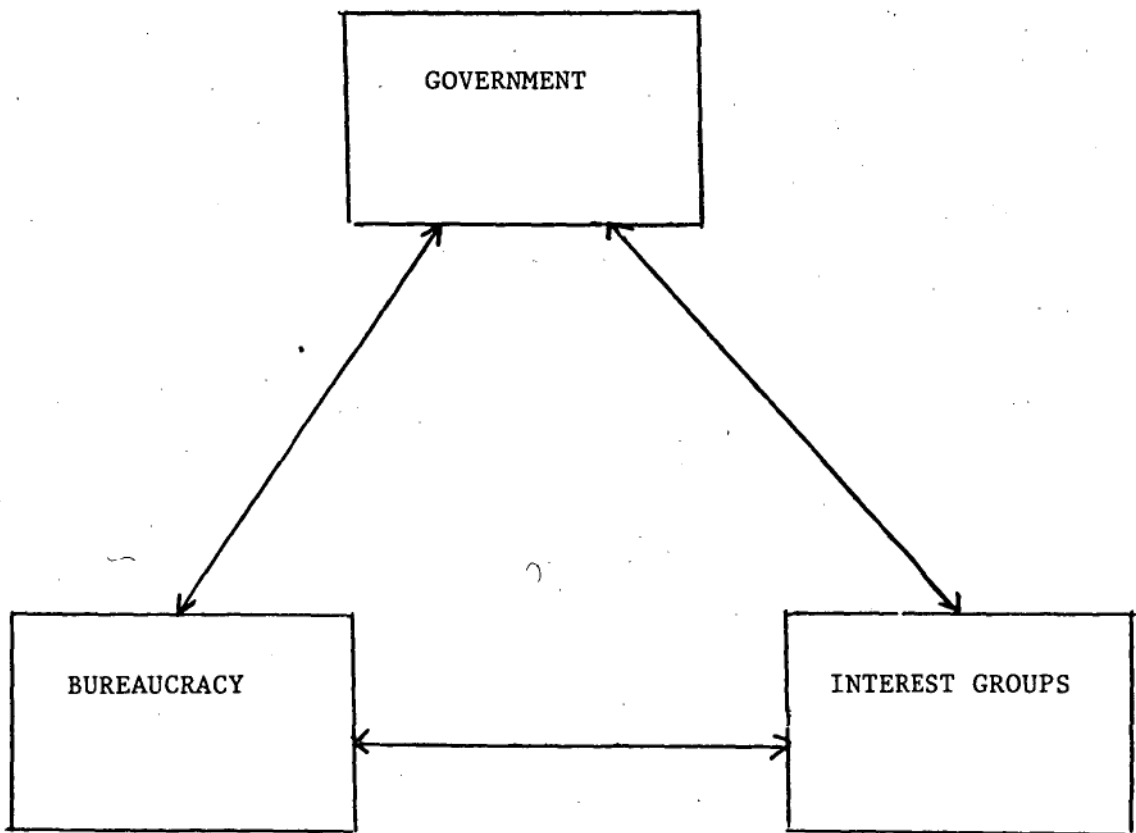
Jordan subtitle their book the "policy process in a post-parliamentary democracy" (1979) and emphasise the growth of policy emerging out of tripartism between government, the civil service and pressure groups. Tripartism infers that the traditional pattern of policy development in a Westminster system, where policy is initiated in the parliament and implemented by the bureaucracy, is no longer adequate to explain how policy is developed. This increase in tripartism is not so much concerned with the "decline of parliament thesis" (Brugger and Jaensch, 1985; Summers, 1985) as it is concerned with the relative significance of other actors in the policy making triumvirate, the bureaucracy and interest groups.

Writers, chiefly from the United States, commenting on the emergence of "extra institutional" actors in policy making viewed these actors as part of an "iron triangle" (Jordan, 1981), where policy emerges out of the inter-relationships between the government, the bureaucracy and interest groups, (see Figure 2:1 following). Jordan (1981) claims the issue community model owes some debts to the iron triangle concept, although it differs considerably in its view of the pattern of interaction between actors. The so-called iron triangle is a useful starting point in the analysis of the emergence of communities of interest within the policy environment, although practical as well as semantic limitations reduce its efficacy. The implicit treatment of the equality of the actors at each "apex" of the triangle in the development of policy ignores the substantial differences in legitimacy, power and authority between institutions responsible for public policy making and interest groups (Jordan, 1981). Semantically the term implies the existence of a stronger bond between the actors than may be evident in the interaction over policy.

Jordan views interaction taking place in networks where the relationships may be "elastic" (1981). Although this study argues that marine resources policy is developed through the interaction between three main sets of actors the issue community model avoids many of the limitations associated with the iron triangle.

FIGURE 2:1

## THE IRON TRIANGLE



ADAPTED FROM JORDAN (1981)

Richardson and Jordan's model, like the iron triangle, is concerned with the notion that policy is developed through interaction between different actors. A major difference between the iron triangle and the Richardson and Jordan thesis is that the latter approach does not prescribe equality between the major actors and therefore avoids problems implied by the iron triangle model. The members of the community become identified as issues are placed on, or become part of, the agenda, with interest groups being attracted to or congregating around institutional actors they perceive as having greatest prospective input into policy areas with which they, as groups with a particular interest in aspects of policy, are primarily concerned. Richardson and Jordan's key theme is, noting the existence of interest groups within the policy environment, "the point is not only that many groups are involved in policy making but that policy is to a large extent made in issue communities" (1979:53) (emphasis added) to which various institutions and interests are members.

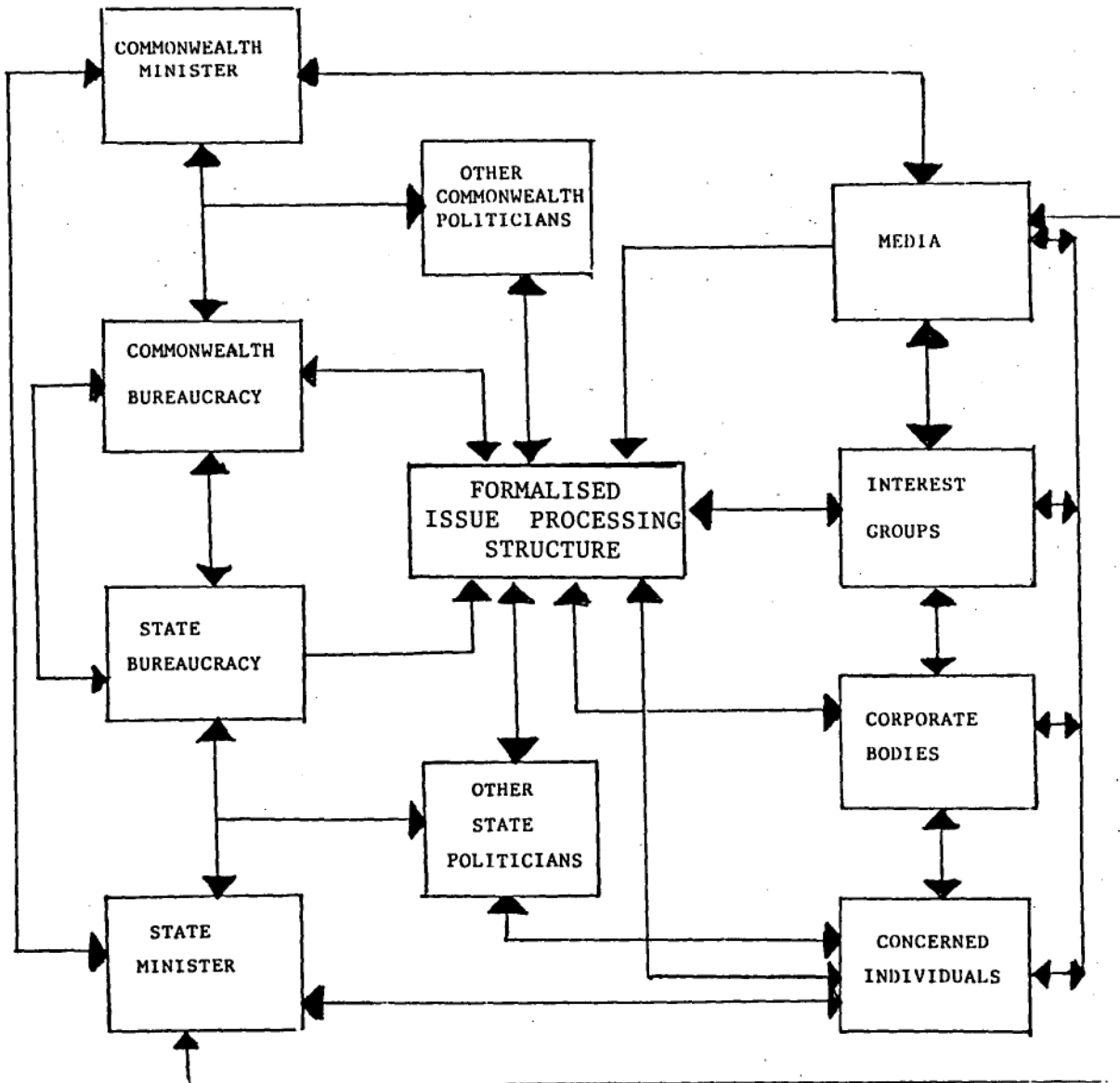
L.J. Sharpe views these communities as comprising a range of actors. Although Sharpe uses the term "policy community" rather than "issue community" his definition is an useful one. The semantic and methodological reasons for distinguishing between the terms and the reasons for choosing the term "issue" over "policy" will be discussed shortly. Sharpe states that

the policy community may comprise not only the professionals but private firms (that have a direct financial interest in the service), national media journalists, local government press, lay pressure groups, academics, interested members of the national legislature and last but not least the department or, more likely, sub-department of the central government.  
(1985:369)

One can extend and slightly modify Sharpe's definition to adapt the model of issue communities to the Australian federal system of marine

resource policy making and include the State government "legislatures" and "departments" as well as the State based interest groups and media. A diagram of a likely issue community is depicted in Figure 2:2, following.

FIGURE 2:2  
THE ISSUE COMMUNITY



## 2:3 ISSUES AND POLICIES: Differences and Implications.

In order to assess the interaction within this issue community it is necessary to make some distinctions between the two important concepts of "issues" and "policies". This is important in terms of the analysis of interaction between policy actors, as such interaction tends to focus on the emergence and processing of issues, rather than during the implementation of policies. The point to be reinforced is that issues tend to be loose, sometimes poorly defined or illusive. Policies, in contrast, are authoritative and have legitimacy within the political and legislative systems. The dilemma posed in the application of Richardson and Jordan's "issue community" thesis is that they use the terms issue and policy community interchangeably. Later British writers, most notably Jordan (1981) and Sharpe (1985), discuss the emergence of policy communities, although one can detect in Jordan's writing an unhappiness with the limitations posed by the term policy community. These points will be discussed subsequently in greater detail.

In developing the issue community thesis Richardson and Jordan argue that the number of interest groups involved in interaction over issues or policies in any Western parliamentary system is enormous. They consider "that the number of groups (outside government itself) is unfathomable" (1979:53). Australian experience is similar in terms of the number of non governmental organisations (QANGOS) or interest groups concerned with policy issues. Parkin, describing the Australian political system considered that it contained a multiple number of interests (1981) comprising the obvious interest groups but also including corporate bodies and individuals as well as institutional actors at each tier of government, all concerned with aspects of public

policy. To illustrate the range of actors involved in a policy area relevant to the concerns of this study, the Archer Committee into the Development of the Australian Fishing Industry (which published its Report in 1982) attracted 124 witnesses representing numerous fishermen's groups, corporate bodies, governments, academics and individuals as well as receiving 66 written submissions from individuals or groups that did not present themselves to the committee. If all actors who provided submissions were to become actively involved in the policy process actual delivery of policy might be seriously affected.

A clarification of the difference between the terms "policy" and "issue" as it affects both the concept of "interaction" communities and the policy process, is necessary. To illustrate the difference between the terms and how this difference affects the notion of communities of policy actors one can conveniently use the example of the Archer Inquiry, mentioned above. The large number of groups that were represented or provided submissions to the Archer Committee can be seen to comprise the major part of what Jordan (1981) would distinguish as the the fishing policy community. This large community contains a number of potential issue communities which may arise in response to specific issues, for example the requirements of individual species management or as a result of increases in the price of diesel fuel. Richardson and Jordan use the terms issue and policy community interchangeably (1979, see pages 73 and 53), and although writers have tended to support the term policy community (Jordan, 1981; Sharpe, 1985) there are significant methodological differences between the terms reinforcing the utility of the use of the issue community "label".

An example of the methodological problems of using the terms issue and policy interchangeably is developed by Hogan in a recent study of "issue-packaging", the relationships between interest groups and political parties. Hogan argues that issues are not the same as policies, which are often quite detailed (1986:95), highlighting the "loose" and sometimes elusive character of the issue as contrasted to the detailed and authoritative policy output. Different actors may, and frequently do, perceive issues differently, "conflict between (interest groups) and government over the nature or very existence of a "problem" is common" (Stringer and Richardson 1980:23). Schattschneider, in an earlier study, claimed that in the development of policies "the antagonists can rarely agree on what the issues are" (1960:84). Schattschneider felt that the difference in perceptions over what is "at issue" is an important factor in determining the extent of the involvement of interest groups as "whoever decides what the game is about also decides who gets into the game" (1960:105). This point is less relevant to the application of the issue community thesis but it does suggest the importance of issue identification in examining interest group interaction in the development of policy. A further factor separating issues from policies is that the issue may be so loosely defined that in fact the "issue" may change, or be transformed as it is processed. One of the reasons behind the development of relatively distinct issue communities may derive from the need to make the issues clear. The interchange of the terms issue and policy to describe the community of policy actors within Richardson and Jordan's analysis illustrates the fact that "the distinction between policies and issues is not always clear in normal discussion" (Hogan 1986:95).

One can separate issues and policies relatively simply on the basis of the extent of their respective authority and legitimacy within the political system. It is the policy process that produces a legitimate policy from a range of alternative and sometimes conflicting issues. Cobb and Elder (cited by Hogan (1986) in his recent study on issue packaging) view an "issue [as] a conflict between two or more identifiable groups over procedural or substantive matters relating to the distribution of positions or resources" (1983:82-original emphasis). Cobb and Elder's definition of an issue reinforces the possibility that there may well be many issues concerning interest groups within a particular policy community. The choice of "issue" to be given priority is usually the prerogative of the institutional actors, and is therefore a major influence on the resulting interaction between the institution and the interest groups which make up the issue community. The control over issue definition is an important, yet sometimes neglected aspect of agenda control, and may be one way for the institutional actors to maintain control over the process of interaction.

Given that "issue" is a better term to describe the state of a "policy" prior to legitimisation and implementation, the study of interaction between institutional actors and interest groups which chiefly concerns the emergence and processing of issues rather than authoritative or clearly defined policies, is best perceived as being focussed on issue communities. This term is used in preference over the term policy community which can either be seen as the multiplicity of groups concerned with broad policy areas (Jordan 1981) or interaction arising from the evaluation of implemented policy. The former definition



is probably the most common, although certain authors have used the policy community as an description of the arena of interaction over the processing of issues.

#### 2:4 INTEREST GROUPS, INTERACTION AND THE ISSUE COMMUNITY

Although existence of a large number of groups, each of whom may be concerned with issues surrounding a particular policy area, creates what has been identified as a crowded policy environment, the presence of these groups does not lead to an a priori assumption that all will be involved in the development of policy. One weakness identified with the issue-community model is that it maintains a pluralistic view of the policy process (Smith 1980) which may not accurately describe the pattern of interaction within and between groups, the issue community or policy process where interest groups may be hindered or blocked in their attempts to influence or become involved in the processing of issues. Grant Jordan, writing in a later paper, argued that

there was flexibility in the system, not all groups are active in all aspects of an area ... (even)... narrowly defined. On different aspects of policy different sets of participants are involved. While some groups are very much of the departments "legitimised clientele" others enjoy less comfortable coexistence with the department. (1981:105)

If a "legitimised clientele" exists the pattern of interaction will be influenced by the close proximity of these clients to key institutions. It is clear that interest groups that maintain strong links to a particular department or to a particular agency will be able to gain much at the expense of other groups. Hogwood and Peters claim that "entrenched interests will tend to have an advantage over (other) groups seeking policy succession" (1983:120), although they do consider

that the level of prestige and support for less entrenched groups from outside the community of actors may increase the effectiveness of these interest groups. Peters (1977) considers that the level of interaction between interest groups and the bureaucracy depends on the interest groups position as either an insider, those groups which enjoy a close relationship with the decision makers or as an outsider, lacking close contact with institutional actors.

This proximity to the policy makers gives insider interest groups the potential for wielding considerable influence in the the processing of issues, although it is obvious that this proximity may reduce the chance of the interest group developing or maintaining an "independent" viewpoint. At its extreme the development of strong linkages between an interest group and a particular agency may lead to what has been termed a clientela relationship. This type of relationship was first developed by La Palombara. La Palombara considered that clientela groups were those

that succeed in becoming in the eyes of a given administrative agency the natural expression and representative of any given social sector which, in turn, constitutes the natural target or reference point for the administrative agency.

(1965: 262)

Richardson and Jordan argue that the issue community thesis, which they consider to be part of their concept of group sub-government, is related to the concept of clientelism,

but at the same time is stressing a different aspect. Group sub-government implies that the significant policy differences are within the group subsystem whereas clientelism notes the shared priorities within the subsystem.

(1979:55)

The issue community is therefore both an arena for policy interaction and a mechanism to facilitate, or otherwise the interaction between

interest groups and institutions responsible for the development of policy.

The emergence of client, or using a less restrictive definition, "insider" groups reinforces the importance of bureaucratic institutions responsible for the development and implementation of policy within the issue community. These institutions are key actors in their own right and have a more active role in policy making than acting as a broker between competing interests as classic pluralism would maintain. Jordan admits that "not all parties are equal, the government department is an actor with special resources (legitimacy, prior knowledge, staff) not available to other actors" (1981:106). Sharing a common interest in a particular policy area may not lead to equality of input into the processing of issues between interest groups and institutions. From the preceding discussion it is clear that different actors may be pursuing different aims, or concerned with different issues. The perception of what is at issue has been seen to differ between the members of the community. These factors support the institutional actors ability to manage the interaction so to reduce or negate the effects of participation.

Although many groups have an interest in contributing to the development of policies, a much smaller number of interest groups are actually involved in close and constant interaction with the key policy makers. Jordan claims that the term

[issue] community might be better reserved for that comparatively small circle of participants that a civil servant might define as being of relevance for any particular policy than the examples listed in Richardson and Jordan (1979). (1981:105)

Jordan is implying the existence of some controls over the institution's interaction with the interest groups, including the very important

discretionary decision making power of the public servants to decide which groups are "policy relevant" and should be consulted.

The comparatively small circle of participants results from the "difference... between the scale of policy relevant groups who can become involved in a given issue and those who would do so on a routine basis" (Jordan 1981:106 emphasis added). It is the difference between the potential for interest group interaction and the level of involvement which focusses on the impact of institutional actors within the issue communities. These institutions have many means available to manage the level of interaction by interest groups. The institutions act as "gate keepers", regulating the flow of demands and groups within the arena that is the focus of interest group involvement (Cobb and Elder 1983). It is this power to influence the functioning as well as the outcome of the policy process that is considered as an important aspect of institutional control over policy development.

The ability of bureaucrats to identify the appropriate interest groups from within the the "multiplicity of interests" making up the policy environment is important in developing the issue community. Richardson and Jordan indicate the importance of the policy makers ability to "target" the appropriate interest group during the processing of particular issues. In supporting evidence Richardson and Jordan show that the institution responsible for the development of the (British) Water Act 1973 was able to accurately identify the key groups from within a range of interest groups. The identification of the "policy relevant" interest groups from within a large number of potential actors is used by the authors to show that "civil servants

know their customers" (1979:54). The empirical data examined later in the thesis on the processing of specific marine resource issues indicates the importance of the identification of these "customers" by the key decision makers. In the development of the scallop fishery management regime policy makers at both tiers of the Australian political system indicated that they were aware of the key groups or individuals. One resource manager went so far as to say that the ability of his staff to target these groups meant that decisions could be made avoiding lengthy delays in consultation.

The identification of specific interest groups, or targetting, may be the first stage in the process of incorporation of these "policy relevant" groups into the formal policy machinery. Incorporation, or co-option, occurs when an interest group is co-opted into this machinery which usually takes the form of the group's membership of an advisory committee concerned with a particular policy area. Incorporation helps to create the conditions of a dichotomy between "insider" and "outsider" interest groups in the policy process, discussed earlier, without necessarily creating the formal conditions of clientelism. The concept of incorporation (co-option) relates closely to the model of "group sub government" developed by Richardson and Jordan (1979). It is an interesting paradox, (particularly for the analysis of interest group interaction in the policy process), that co-option may be used to reduce the level of interest group involvement in the policy process while providing these groups close proximity to decision makers in this process.

Considerable debate has occurred over the motives of institutions during the co-option of interest groups. The creation of advisory

committees, while providing the interest group with input into the policy process, may be aimed at removing the group from the public arena or placating a vocal group with token involvement. The use of incorporation to placate interest groups, and therefore reduce the level of conflict over the processing of issues has been identified in a wide range of areas of public policy making. Denying the interest group access to the "public" may reduce the interest groups chance of increasing support for particular policy initiatives, given that the creation of public awareness and attempts to foster changes in public opinion may be important strategies for the group to attempt to influence the development of policy. In such a sense incorporation may reduce the interest group's chance of interaction over issues as the processing of the issue is internalised and moved away from the public arena (Scott 1980).

Scott perceives incorporation as containing "an implicit rejection of the notion of community participation in policy making and the embracing of institutional arrangements which will assist in the exclusion of non elite views" (1980:230). Perceiving advantages in becoming entrenched interest groups may seek to become involved in the policy process and take up offers of positions on advisory bodies set up by institutional actors, but the motives of the institutions may be in fact be aimed at preventing "non elite" groups interacting with other members of the community. As Richardson and Jordan state "not all committees are set up to obtain a decision - some are set up to delay others are set up in an attempt by the department to educate its clients about the difficulties it faces" (1979:72).

Even if the co-option of interest groups is undertaken for positive purposes, that is, to facilitate the group's input in the policy making process, there are still significant issues surrounding the interaction of these co-opted interests. Scott comments that while

incorporation is a common response of policy making systems to the demands of interest groups which are regarded as legitimate, [it] may not represent a permanent solution once general opinion within the community as a whole undergoes a period of change.  
(1980:232)

The co-option of particular interest groups may reduce the ability of the institution to respond to changing conditions, or the emergence of new interest groups from within the broader policy community.

Richardson and Jordan argue that incorporation or co-option is an important feature of the style of policy making that is associated with the issue community model, effecting both the pattern of interaction among members of the community as well as the outcomes from this process.

It is the relationships involved in communities, the policy community of departments and groups, the practises of co-option and the consensual style that perhaps better account for policy outcomes than do examinations of party stances, of manifestos or parliamentary influence.

(1979:74, original emphasis)

Even though the development of issue communities will tend to internalise interaction within a closed environment the parameters of which are generally set by the particular issue being processed, it should not be assumed the "community is always able [or willing] to present an united front to the outside world" (Sharpe 1985:369). In the interaction which arises out of attempts to influence the processing of issues, or policy outputs, "there is likely to be divisions [within the community] from time to time, especially between the professionals and the rest" (Sharpe 1985:369).

## 2.5 THE ISSUE COMMUNITY AND THE DEVELOPMENT OF POLICY

The development of issue communities emphasises first the complexity of policy making, and second, the influence of a crowded policy environment that has resulted from the level of interest group involvement in a broad range of policy areas. As new areas of policy emerge a corresponding increase in the machinery of government is necessary to implement these policies. With the increase in institutional involvement the interaction with interest groups will increase, extending the policy environment further. As a result policy will tend to become segmented, bureaucrats and politicians will tend to interact with those interests that are concerned, or more importantly perhaps, are perceived as being concerned, with the same area of policy. Issue communities will reinforce the boundaries between different policy areas, and decisions will tend to be made by those actors with an interest in the issue. Institutional actors, and for that matter interest groups, will tend to concentrate on issues that specifically concern them. This creates a distinctive pattern of policy making, where "strong boundaries [will emerge] between subject matters and indistinct, merged relationships between departments and relevant groups within individual policy areas" (Richardson and Jordan 1979:42). Hence the development of policy, including the emergence and processing of issues will tend to remain within these segmented communities, and the bureaucrats will tend to have a closer relationship with the interest groups which are part of the same community rather than with members of other departments.

The discussion so far has concentrated on the issue community, highlighting aspects of this model to help develop a framework to



examine and explain the influence of interaction between actors concerned with the processing of specific issues in the management of marine resource issues. The discussion in this section has indicated that the issue community does not exist in a vacuum. It has been proposed that a multiple number of issue communities can exist within one policy area, but the community is also influenced by the political and institutional structures which support and maintain it. This will be discussed in a following chapter. The issue community concerned with a particular issue is seen as both the arena for interaction and a mechanism by which the issue is processed.

## 2:6 THE POLICY MAKING PROCESS:

Considerable effort has been expended by a large number of policy analysts concerned with describing and interpreting the process by which ideas, proposals and alternative courses of action become "policy". As will be clear from the introduction to this chapter the policy process has been examined and explained from a variety of perspectives each concerned how the process operated. As a result of these alternate perspectives interaction has been treated differently in a variety of approaches to the policy process. The major contrast is between models that treat interaction between policy actors as an implicit part of the policy process or those that view this interaction as an important and explicit part of the development of policy.

Early models of the policy process utilised decision theory to explain the policy process. This theory concentrated on the behaviour of policy makers in terms of the way in which decisions were made over alternative policy options. The two major schools emerged as a result

of differing perceptions of the behaviour of the decision makers as they developing policy or when they were faced with alternative policy choices. These opposing schools were first the rationalists who perceived policy as developing from predetermined goals in an ordered, logical manner, (Simon 1957, 1971) and second the incrementalists who perceived policy making as a series of steps based on past experience (Lindblom 1959, 1979) The rationalists saw the policy maker as a version of economic man, decisions were made on the basis of satisfying the previously stated goals, a perspective that looked forward to the achievement of goals rather than looking backwards to previous policy decisions. The incrementalists, arguing for the utility of policy developing from previous experience, believe that pure rationality is impossible to attain. The incrementalists argue that since long term goals are difficult to maintain on the basis of a dynamic policy environment, decisions are most likely to be made on the basis of past experience where the effects of policy decisions can be measured and observed. Incrementalism has been tagged "muddling through", an appellation that contrasts to the ordered process perceived as occurring by the rationalists.

A large body of writing has applied a systems perspective to the analysis of policy making. The early systemic theorists, (Truman 1955, Easton 1965), perceived policy outputs as deriving from demands that are processed through the undefined "black box" forming the policy process. Later systems models, (Jenkins 1978, Hogwood and Peters 1983), explored the content of the "black box", considering the process to be made up of distinct, if sometimes overlapping, stages. The systems models are useful conceptualisations of the policy process as they

identify the stages through which issues are processed leading to the creation of policy.

Interaction between interest groups and institutional actors has been seen as an integral part of some perspectives on the policy process. These approaches see policy as deriving from the inter-relationships between different actors. Two contrasting perspectives were developed in the 1950s which relate to the number of groups involved in the policy process, and the extent of competition between them. The number of, and competition between groups was seen to relate to the distribution of power in the political system. Two contrasting theories have been developed to explain the distribution of power. One of these theories is that of pluralism, (Dahl 1961, 1971, Polsby 1974, Garson 1978), which argues that policy develops out of competition between a range of groups of groups with power diffused among a large number of groups. Policy emerges from competition among these groups, with interests aggregating and forming loose coalitions over individual issues. The key aspect of a pluralist perspective of the policy process is that there are no consistent winners among the interest groups. In contrast elite theory, (Mills 1956, Presthus 1971, Higley 1985), claims that policy is developed from an environment dominated by a small number of groups, with power concentrated in what becomes a dominant elite. Interaction is limited to members of the elite, with consistent winners from within the large number of interest groups identifiable. The power theorists provide a major theoretical basis for another approach to the analysis of policy, that of interest group theory (Dye 1984). Interest group theory examines the impact of interest groups on the development of policy, arguing that the

interaction of these groups is an important, if not pre-eminent, influence on the development of policy

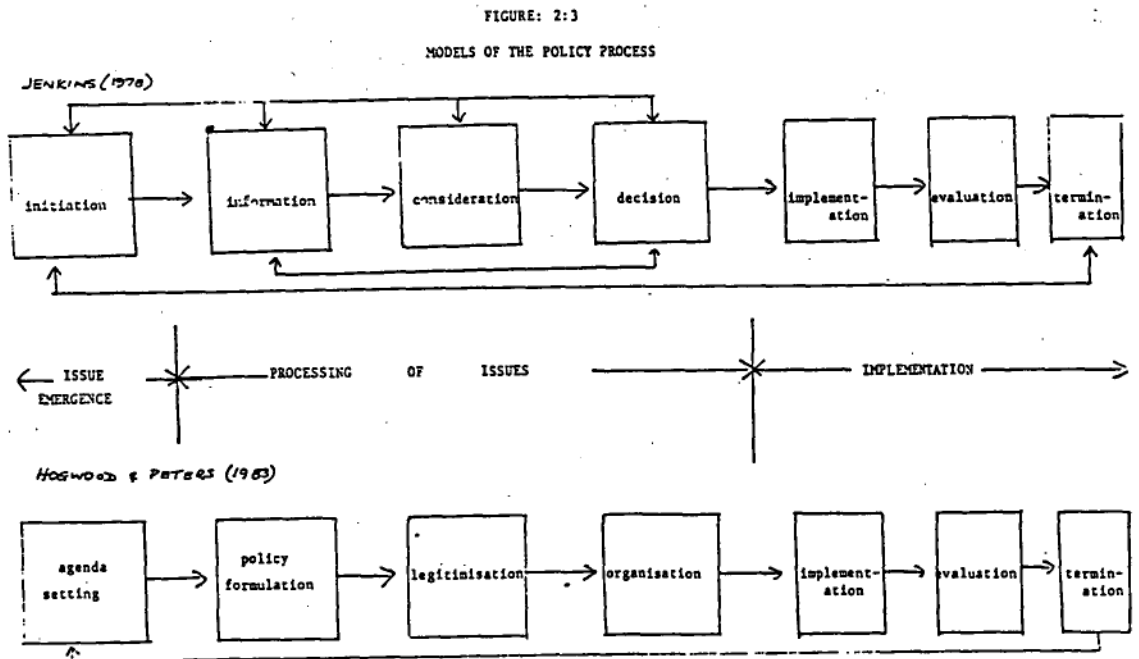
A substantial literature has considered each of these perspectives of the policy process as "each offers a separate way of thinking about policy" (Dye 1984:20). Dye (1984) states that none of the models can be viewed as being necessarily better than any other, with each approach providing a separate focus on "policy and political life". Dye makes the useful observation that

although some policies appear at first glance to lend themselves to explanation by one particular model, most policies are a combination of rational planning, incrementalism, interest group activity, elite preference, systemic forces, game playing, political processes and institutional influences.  
(1984:20)

Several studies, utilising in the main the systemic model of the policy process, have as has been stated, identified the existence of different stages within the process of policy development. Examples of such studies are the policy process model developed by Jenkins (1978) and the development of "the policy cycle" by Hogwood and Peters (1983). A schematic representation of each model is depicted in Figure 2:3, below. For the purposes of the analysis of the interaction between the interests groups and institutions concerned with specific issues, the policy process can be viewed simply, containing three phases. These phases correspond to

- (i) the emergence of issues onto the "agenda",
  - (ii) the processing of these issues to develop "a policy",
  - and finally, (iii) the implementation of this policy.
- The phases identified above are indicated in Fig 2:3.

An important theme of the issue community model advanced by Richardson and Jordan is that interest groups are involved in each phase of the policy process. This model rejects the traditional perspective of interest groups as having a sole function related to the politicisation of issues as advanced by authors such as Greene and Keating (1980).



## 2:7 INTEREST GROUP INTERACTION AND THE PHASES OF THE POLICY PROCESS

As this study is concerned with providing an analysis of the interaction between interest groups representing resource users and the institutions responsible for resources management, one could expect the interest groups to be actively involved in all phases of the policy process. Interest groups that have immediate concerns over proposed changes to conditions governing resource exploitation will be active participants in the debates and negotiations about such changes. One could expect this interaction to be greater than that experienced over issues or policy areas where the effect on interest groups does not have such an economic impact. This concern about the policy area is seen as a major reason for the emergence of the issue community, "Ministers and their associated pressure groups often conflict over details of policy but generally they share a commitment to ... that policy area" (Richardson and Jordan, 1979:30). The common concerns encourage interest groups to become involved in the latter phases of the process as the groups may be unwilling to leave the institutions to process issues that they have identified or politicised. In some cases the interest groups may be wary of the intentions of the institutional actors with regard to the processing of the issue and may remain active to reduce the possibility of the issue being removed from the agenda.

The pattern of interaction between members of the issue community may well differ in each phase of the policy process. Issues will emerge onto the agenda in various ways. A single group may succeed in placing an issue on the agenda which may increase the groups importance in the

issue community. Other groups with an interest in the issue may be encouraged to become involved in the processing of the issue, the group which successfully promotes an issue attracts other groups into the issue community, what Henning (1970) describes as the "whirlpool effect". Schattschneider (1957) claims that the involvement of interest groups depends on the groups perceptions and awareness of the "issue". As the issue becomes more visible in the policy arena the style and level of debate or negotiation between actors increases. This leads to increased interaction over issues, (although Schattschneider uses the term "intensity"). The development of the level of visibility and intensity of interest group interaction has the effect of increasing the scope of the "policy conflict" (Schattschneider, 1957), which can be equated to the extent of interaction over policy issues.

### Issue Emergence

It is considered that "the emergence of issues as opposed to the processing of issues that have already emerged has been relatively neglected" (Richardson and Jordan, 1979:79) in the literature. How and why issues are placed on the policy agenda are important, and crucial, influences on the interaction between policy actors. One could expect to find the development of a different pattern of interest group interaction over issues that emerge onto the agenda in response from pressure from an interest group as distinct from the interaction that arises from issues that are introduced onto the policy agenda by institutional actors. This proposal can be tested through the examination of the issues forming the case studies (see Chapters Four and Five) of interaction as they represent alternative methods of issue emergence.

As an increasing number of studies in the public policy literature have begun to examine the agenda setting process, the deficiency in the literature over this phase of the policy process identified by Richardson and Jordan (1979) is gradually being overcome. Examples of this literature include the work by Stringer and Richardson (1980), Cobb and Elder (1983) and Hogan (1986). The extent to which an interest group is an "active" or "passive" participant in the agenda setting process may influence their interaction with the institutions. If an issue is identified by a specific group the institution may offer that particular group an "insider" position in the processing of that issue.

In the preceding discussion the traditional role of interest groups as "issue politicisers" was viewed as being manifestly inadequate as an explanation of their interaction within the policy process, given that such groups are involved in the processing of the issues and may even be important actors in the implementation of policy. Interest groups do however provide one means by which issues can be identified. As Richardson and Jordan state;

pressure groups [are]... performing an important role in the policy process- namely helping in the process of problem identification. The first stage in any ...policy process must be effective problem identification, and groups may well be more efficient at this than official policy making structures.  
(1979:85)

Once interest groups have identified a particular issue they then attempt to get the issue placed on the policy agenda. In order to do so the issue must be recognised as important by the institutional actors who act as the "gate keepers" over the demands of interest groups (Richardson and Jordan, 1979). The more important the issue the more likely it is to be placed on the agenda. This is supported by the fact



that "thousands of demands are made (on governments) each year, but only a small proportion of these demands are taken onboard by the political system, debated and possibly acted upon. Most are still born or suffer a premature death" (Richardson and Jordan, 1979:80 - original emphasis). What distinguishes those issues that are placed on the agenda from those that suffer the high mortality rate expected for the majority of myriad of demands made on institutional actors is that the former contain problems that cannot be displaced (removed by the emergence of new, more important issues), totally ignored, or recognised as being too difficult to resolve, resulting in what Bachrach and Baratz designated "non decision making" (1962).

One of the most interesting studies of issue emergence was undertaken by Anthony Downs. Downs developed what has become known as the "issue attention cycle" to explain how issues can be placed on the agenda. He argues that issues go through a series of stages beginning with the "pre problem stage", where an issue may only be recognised by a small number of actors, moving through the stage of "alarmed discovery and euphoric enthusiasm" into the next stage of "realising the cost of significant progress". The final stages of the cycle are the "gradual decline of public interest" and the "post problem stage". (Downs, 1972, Richardson and Jordan, 1979). In the final stage the issue has been replaced by more urgent issues on the agenda although it is "still in a slightly better position (in terms of attention from policy makers) than stage 1" (Richardson and Jordan, 1979:91). The issue attention cycle is depicted in Figure 2:4, following.

FIGURE: 2:4  
THE ISSUE ATTENTION CYCLE

STAGE	CHARACTERISTICS
1. PRE PROBLEM STAGE	Occurs when an issue has not yet yet captured much public attention, even though some experts or interest groups may be concerned with it.
2. ALARMED DISCOVERY AND EUPHORIC ENTHUSIASM	As a result of publicity, or the eruption of some dramatic series of events the issue is discovered by the public who expect that the problem can be solved.
3. REALISING THE COST OF SIGNIFICANT PROGRESS	The problems and costs of solving gradually emerge, and impediments to a quick solution to the problem become apparent.
4. GRADUAL DECLINE IN PUBLIC INTEREST	This may arise from a realisation of the difficulties of solving the problem, or a displacement of the issue through the emergence of new issues into Stage 2.
5. POST-PROBLEM STAGE	The issue moves into a prolonged limbo, a "twilight realm" of lesser attention. The issue does however have a higher profile than that experienced in the Pre-Problem Stage.

From: A. Downs (1972)

The interest group may use a range of strategies to increase the visibility of the issue and to enhance the issues identification. A favoured means of ensuring that an issue will be considered by the institutional actors is to utilise the media. Richardson and Jordan state that "virtually all pressure groups seek media publicity for their cause or interest, (however) they may not seek media coverage as their prime target" (1979:89) but merely to increase the visibility of the issue. The use of the media may well decline once an issue is placed on the agenda, although it remains a potent force by which an interest group can increase public awareness, if not sway public opinion, over their issue. Politicians, with a greater degree of receptiveness to public or electorate pressure than members of the bureaucracy, may be "prime targets" of interest group media campaigns. The media is important in the emergence of issues; if for no other reason than to provide the interest group a means of publicising their concerns.

Alternate strategies for interest groups aimed at placing issues on the agenda may involve the notion of "issue packaging" (Hogan, 1986) where the interest groups provide a political party with some issue that can be incorporated into the party's platform, or making the most of previously conferred "insider" status to facilitate access of further issues onto the agenda. More often than not the link between interest groups and political party platforms are difficult to identify as many other factors may affect the development of a platform. The ability of interest groups to maximise their proximity to departmental or bureaucratic actors may be important, and help encourage conditions of clientelism identified earlier. The strategy adopted by the interest group will depend on whether the issue was initiated by the group or

whether they are interacting in reaction to institutional action in placing issues on the agenda.

Once an issue is placed on the agenda, assuming it is not a candidate for "non decision making", it can be considered to have entered the second phase of the policy process, concerned with the processing of the issue, or in many cases deciding what is the issue. The "issue processing" phase of the policy process is where interest group interaction is maximised; the issue may be at its most visible and the issue community may be at its maximum. Since the stages of the policy process prior to the implementation of a policy may be critical in determining the form the final decision takes, interest groups may maximise their efforts in influencing this process.

#### The Processing of Issues:

This phase of the policy process is the locus of interaction within the issue community. During the processing of issues increasing numbers of actors are drawn into the interaction network including institutions and interest groups not involved directly in the emergence of the issue. The processing of the issue may lead to a closer definition of what comprises the issue or problem. Since the definition of the issue is the role of the institutional actors, such redefinition that occurs may be concerned with a re-orientation of the interest group's perception of what is on the agenda. If the interest groups perceive the issue to be defined in a particularly narrow direction they may attempt to broaden the scope of the issue. The most important aspect of this phase of the policy process is the introduction or development of policy machinery to facilitate the processing of the issue, which in

turn will create a policy that can be implemented as the final stages of the policy process.

The development of a consultative mechanism to incorporate members of the issue community may highlight the importance of the interaction between different policy actors in the development of policy. Although "issues are handled in a multiplicity of fashions" (Richardson and Jordan, 1979:97) including the negative actions involved in "non-decision making" or "agenda control", Richardson and Jordan claim that there is a "preferred relationship" that institutional actors attempt to establish with interest groups. Richardson and Jordan argue that the development of such a relationship generally suits the interest groups involved as they are familiar with the system and the process of interaction. (Richardson and Jordan, 1979).

The preferred relationship in the processing of issues is to "internalise the required debate within some structure or institution" (Richardson and Jordan 1979:116). Internalising debate serves two purposes. It encourages the involvement of interest groups within some ordered framework and secondly enables institutional actors to maintain order over the interaction of these groups. It is claimed that

over time any governmental/interest group relationship over a matter of substance will evolve a special machinery such as a standing committee [or] joint advisory committee.  
(Richardson and Jordan, 1979:98)

Interest groups concerned with maintaining close proximity to the centre of decision making will tend to support the creation of such machinery.

One of the problems that may emerge is that the machinery may be unable to adequately incorporate interest groups. Such advisory

committees may have "second string" status, reflecting their use as devices to placate groups rather than to encourage interaction, as discussed in an earlier section. Formal institutional structures may exist but this machinery may be limited to institutional members. As marine resource policy involves considerable overlays in responsibility between the Commonwealth and State governments the machinery may be devised to reduce the level of intergovernmental disputation, however such machinery may be inadequate to represent the non-institutional actors, or for that matter specific issues that are localised or regional in character, not involving intergovernmental interaction.

This study advances the proposition that the emergence of issue communities and particularly the interaction between interest groups and institutional actors over the development of policy will lead to the creation of new "machinery" which can adequately involve these groups in the processing of the issue. Richardson and Jordan state that both sets of actors prefer this machinery to take some regular form, avoiding ad hoc bodies (1979). This supports, incidently, the view that institutions attempt as far as possible to retain some control over the interaction of the interest groups. This control is facilitated by the establishment of some formal relationship with these groups.

The extent and influence of institutional control over the involvement of interest groups is as important during the processing of issue as it was in issue emergence. Once a commitment has been made to resolve a particular problem or to place a particular issue on the agenda the politicians rely on the bureaucrats to keep the issue under

control. "The civil [public] servant who cannot "manage" his [interest] group is a liability to his Minister" (Richardson and Jordan, 1979:101). Interest groups will tend to avoid falling offside with members of the bureaucracy, "the task of the civil servant and his counterpart on the pressure group side is to minimise conflict" (Richardson and Jordan, 1979:101) during the processing of issues.

Issue processing involves the members of the issue community interacting within the terms of reference set by the machinery introduced to resolve the "issue". Neither the institutional actors nor interest groups will attempt to force the issue away from the machinery set up to facilitate its processing; the former actors want to maintain control and to ensure that the interaction remains manageable, the latter sets of actors want to avoid being displaced by other groups perceived as being less disruptive and who may be prepared to trade-off their outsider status with agreed co-operation with the institution. This reflects the importance of the issue community in enabling interaction to occur which leads to the development of particular policies.

#### Implementation:

The implementation phase of the policy process has, like the emergence of issues, attracted increasing analysis in the literature. Much of this analysis has concentrated on the apparent increase in what has been termed policy failure following collapse of the policy machinery. Attention to policy failure emerged from the first major publication in this field by Pressman and Wildavsky (1973). Pressman and Wildavsky focussed on institutional failure associated with breakdowns

in the implementation of policy, which has set the scene for most other studies of implementation. These studies focus on the institutional aspects of policy failure. Relative neglect of the impact of interest groups in the implementation process has occurred as a result of this focus on the policy machinery and its performance in this phase of the process.

This neglect may have arisen from the perception that the implementation of policy remains firmly in the control of these institutions. More recent studies have argued that the involvement of relevant interest groups may be essential to ensure the success of the implementation of policy. Richardson and Jordan state that "much of policy implementation depends on the goodwill and co-operation of participant groups for its success" (1979:131). Such co-operation is particularly relevant in the implementation of marine resource management policies as the major resource users comprise the key interest groups.

A further factor contributing to the neglect of interest group interaction during the implementation phase of the policy process may result from the tendency to regard the announcement of the implementation of policy as concluding the passage of a particular issue through the policy process. The attitude may well be that

once a decision is reached, once a policy is announced...there is a tendency for the issue concerned to leave the agenda [as]... the problem has been solved.

(Richardson and Jordan, 1979:143)

Although the institutions may regard the implementation of a policy as concluding a particular "issue agenda" the interest groups may



continue to urge changes or to highlight perceived weaknesses or limitations in the policy. The interest groups may be important agents for identifying areas where policy termination may be needed, or where policy failure has occurred. This role may well contribute to the emergence of new issues as part of the continuation of the policy cycle (Hogwood and Peters, 1983). The ability of interest groups to force changes in policy may be limited as it will be recognised by the policy makers that "a policy that can be eroded or sabotaged by a powerful group or agency is not worth the paper it is written on" (Richardson and Jordan, 1979:153).

## 2:8 ISSUE COMMUNITIES, THE POLICY PROCESS AND INTERACTION: A SUMMARY.

This chapter has, through expanding some of the issues underpinning the issue community model, discussed some of the issues that are involved in analysing the interaction between policy actors on the development of policy. This discussion will facilitate analysis of the interaction between the institutions and interest groups concerned with issues surrounding either fisheries or offshore hydrocarbons policy.

The utility of the issue community approach derives from its premise that interest groups are involved in all phases of the policy process. Such a perspective argues that interest groups have a broader role than simply remaining as politicisers of issues. The development of issue communities involves the processing of issues and may even influence the implementation of policy. The involvement of marine resource users in management of such resources can enhance the

development of policy as these groups may provide policy makers with important data on resource stock levels or reserves. Given that the management of marine resources is an inexact science, as resource assessments are difficult to make, information provided by the resource users on the impacts of proposed policies may be particularly important.

The involvement of interest groups may also facilitate the processing of complex issues where implementation of particular policies relies upon the commitment of these groups. In such a case the co-option of particular groups into the policy process through the establishment of a structure that contains these interest groups may enhance the processing of the issue. Where an issue involves federal or jurisdictional overlays which increase the number of actors involved in the interaction network, the possibility of the issue being resolved through existing structures may diminish, encouraging the development of these structures that incorporate the members of the issue community.

The interaction of interest groups is not as unrestricted as the pluralist theorists would postulate, but is controlled or managed in some degree by institutions through such devices as issue definition and the various measures of agenda control, as well as by constraints posed by the structure of the policy environment. This policy environment includes regional, legislative and constitutional variables that both implicitly and explicitly provide significant influences on the interaction between members of particular issue communities. The following chapter examines some of the variables from within the policy environment that concern the development of marine resource policy in Bass Strait, and which influence the interaction between interest groups

and institutions. These variables have considerable influence in the creation of issue communities, as they provide additional parameters within which interaction takes place.

One such variable is the distribution of the resource base through the region, introduced briefly in the following chapter prior to a more detailed analysis in subsequent chapters. The resource base provides the impetus for resource management from which the issues which form the empirical analysis are directly related. The management of these resources involves the development of policies that are linked to another variable within the policy environment, the political and legislative aspects of what has been termed "Australian offshore federalism" (Cullen, 1985). Not only has the evolution of offshore federalism been a significant source of inter-governmental tension since the mid 1960s, but such a development has important effects on the implementation of both fisheries and offshore oil and gas policy.

Chapter Three examines the evolution of Commonwealth-State relations from initial developments in inter-governmental co-ordination, as a result of the discovery of hydrocarbons in Bass Strait in the early 1960s, to the introduction of the Offshore Constitutional Settlement (OCS) in the late 1970s. This leads to an analysis of the administrative regimes for these resources developed as part of the OCS. The OCS "legislative packages" are administered by an institutional framework at both Commonwealth and State level which support these regimes. It is this institutional framework that is the focus of interest group interaction in the development of particular issue communities.

## CHAPTER THREE

### MARINE RESOURCE POLICY IN BASS STRAIT:

#### REGIONAL, POLITICAL, LEGISLATIVE AND INSTITUTIONAL BACKGROUND.

##### 3:1 INTRODUCTION.

The development of marine resources policy in Bass Strait occurs as a result of the interaction between a range of different policy actors forming the issue community. The issue community is found within a policy environment which incorporates several key elements, chiefly influenced by parameters set by the political and legislative framework surrounding the Australian federal political system. The implementation of management policies concerned with fisheries and/or offshore oil and gas is also influenced by the particular characteristics of the region, particular related to the distribution of the relevant resource base.

The previous chapter has provided a framework within which the analysis of particular issues related to the management of marine resources can be undertaken. It is argued that the interaction of actors comprising major institutions and interest groups at both the Commonwealth and State levels of government exerts an important influence on the process and output in this particular area of policy, but such interaction is ineffective within the existing institutional structure. The existence of overlays in responsibility between the two tiers of government (Commonwealth and State) in both fisheries and offshore oil and gas policy making increases the numbers of institutions or agencies involved, increases problems of co-ordination between these agencies and raises the potential for conflicts between the Commonwealth and the States.

The development of any aspect of maritime policy inevitably involves the issue of jurisdiction as the attempts to develop and enforce laws are more complex in the marine domain since such actions may lead to disputes over the legal competence of the particular legislative authority. The legal management of marine resources is made more difficult due to the common property characteristics of these resources. The concern of coastal states to develop jurisdiction over the marine environment has been a key factor in maritime policy from the early seventeenth century, when the first attempts at promulgating maritime laws occurred (Couper 1978). In Bass Strait, issues of jurisdiction, related to the evolution of Australian offshore federalism since the mid 1950s, have had a major impact on fisheries and oil and gas policy. Interaction between policy actors takes place in an institutional framework and policy environment constrained by the influences of this federal system.

This chapter aims to illustrate the importance of the regional, political (including legislative) and institutional variables which make up the policy environment on the interaction between policy actors. These variables are particularly important; providing the political and legislative background to the management of fisheries and offshore oil and gas resource base in Bass Strait. The region provides an unique policy environment, as it involves the sole internal maritime boundary between Australian States, hence policy making is not complicated by the application of the "external affairs" powers of the Australian Constitution, which is integral to the maritime boundary agreements of the Timor Sea and Torres Strait.

### 3.2 BASS STRAIT - LOCATION AND DEFINITION

Bass Strait, separating the island state of Tasmania from the mainland of Australia, has been described as "one of the most beautiful and, (yet) dangerous stretches of water in the southern hemisphere" (ABC, 1969:7). This evocative and contradictory image derives from the extreme weather and sea conditions experienced in the Strait. Bass Strait is a relatively shallow stretch of water, averaging between 25 and 40 fathoms (45-75 metres) for most of its depth, and is located in the westerly wind stream on the margin of the appropriately named "Roaring Forties". The combination of shallow depth and strong winds creates extreme sea conditions. These weather conditions have been a limiting factor on resource exploitation, with both fisheries and offshore oil and gas resources dependent on moderate conditions. In recent times the introduction of semi-submersible drill rigs has removed many of the problems of drilling for oil or gas; however the drilling programme is still dependent on the presence of favourable weather conditions.

Bass Strait is traditionally viewed as the stretch of water bounded by King Island and Cape Otway in the west and the Furneaux Group and Wilsons Promontory in the east. This is shown in Figure 3.1, below. A broader oceanographic definition includes the area of the continental shelf north-east of Flinders Island, to Cape Howe and Gabo Island on the border of Victoria and New South Wales. The use of the 200 metres isobath is a suitable criterion to draw in the margin of the continental shelf. This isobath is included on Figure 3.2, below. Baselines have also been developed for the administration of both fisheries and

hydrocarbon resources, which utilise latitude and longitudinal criteria. The Bass Strait Scallop management plan operates between longitudes  $143^{\circ}30'E$  and  $149^{\circ}00'E$  and from the coast of Victoria to latitude  $40^{\circ}45'S$  until it meets the Tasmanian coast. (Figure 3.2 incorporates these baselines). The boundaries for the allocation of oil and gas permits are somewhat different, with each State allocated an adjacent area for the purposes of administration of the exploration and production programme. The 'adjacent areas' between Victoria and Tasmania are shown in Figure 3.3.

The spatial boundaries of this study are as follows. The western margin includes a line drawn southwards from Cape Otway (longitude  $143^{\circ}00'E$ ) to latitude  $40^{\circ}45'S$ . The southern boundary of the study area is along latitude  $40^{\circ}45'S$  to the Tasmanian coast, and then from Cape Portland in north east Tasmania eastwards on the same latitude to intersect with a line drawn southwards from Cape Howe, (longitude  $149^{\circ}53'E$ ). This delimitation incorporates aspects of the boundaries drawn from oceanographic, historical and administrative criteria.

For many people in Tasmania Bass Strait represents an aerial "half hour gutter between the mainland and the island state" (Murray-Smith, 1969:12), the Strait comprises a surprisingly large amount of land. Murray-Smith indicates that there are 126 pieces of land in the Bass Strait region, ranging from sea stacks (sheer rock pyramids or pinnacles) to substantial islands (Flinders, Cape Barren and King Islands). The existence of these rocks, islets and islands support fisheries based on molluscs or crustaceans, which are found on or near coastal margins.

fig. 392

# BOUNDARIES - BASS STRAIT VICTORIA

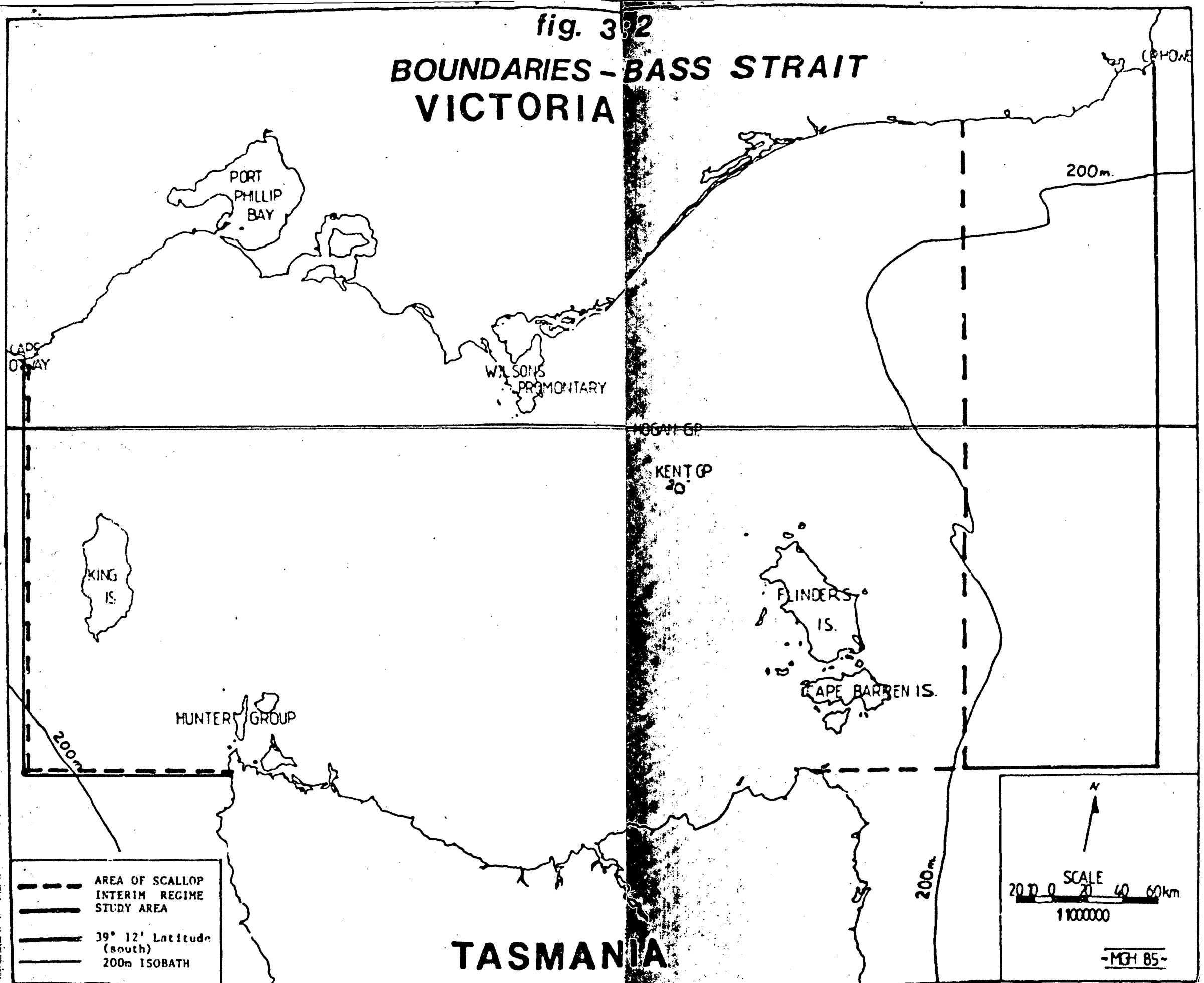




Figure 3:3



Adjacent Areas  
Petroleum (Submerged Lands) Act  
Source: Attorney General's Department (1980)

### 3.3 MARINE RESOURCE BASE OF BASS STRAIT

The resource base provides a focus of policy making. Management strategies concerned with resource utilization and regulation form the basis for marine resource policy. As a result the characteristics of the resources are an important feature of the policy environment.

Bass Strait contains a range of marine natural resources, including Australia's major hydrocarbon production. Bass Strait supports a diverse fishery as well as minor resource-based industries, such as that based on the production of alginates from seaweed, and the harvesting of the mutton bird from Bass Strait rookeries. In terms of economic importance and significance the major resources are the hydrocarbons and fisheries.

The oil and gas fields of Bass Strait contain a series of production facilities located off the Gippsland coast. The majority of these facilities are production platforms, although there are "sub sea production wells" connected by pipeline to other platforms. Some of these platforms are located on fields producing natural gas and oil. The characteristics of the oil and gas industry are discussed in more detail in Chapter Five of the study.

The Bass Strait fishery is particularly diverse, harvesting both pelagic and demersal fin fish as well as molluscs, crustaceans and elasmobranchs (sharks). New fisheries based on cephalopod species (squid and octopus) have been investigated in Bass Strait, and may provide future development potential (Collins, 1986; Macdonald, 1986).

The fisheries of Bass Strait are located near the margins of the coast, with important, and valuable, abalone (Notohalioses ruber,

Schismoses laevigata) or southern rock lobster (crayfish) (Jasus novaehollandiae) fisheries found near the intertidal zone. The scallop fishery, (Pecten meridionalis, Equichlamys bifrons and Mimachlamys asperimus), although displaying variable pattern of catch, provides a potentially valuable fishery in Bass Strait. Examining the value of production of Bass Strait fisheries emphasises the importance of these mollusc and crustacean fisheries for the region. Tasmania's gross value of production for fisheries is made up of slightly less than 10% from fin fish (Tasmanian Year Book, 1984:395). The characteristics of the fisheries of Bass Strait are examined in more detail in Chapter Four.

### 3.4 MARINE RESOURCE POLICY: POLITICAL, LEGAL AND INSTITUTIONAL ARRANGEMENTS

#### Key Features of the Constitutional and Judicial Framework

The arrangements of political and administrative structures so that responsibility for the development of policy and legislation is shared between various levels of government is a key feature of federalism (Herr, 1985). The development of Australia's marine resources policy is influenced greatly by the existence of a two tiered system of government between the Commonwealth and the States. Not only does this result in creation of some duplication in bureaucratic agencies, increasing the number of policy actors, but most significantly results in inter-governmental relations as being the key issue surrounding the development of resources policy.

"Jurisdiction" refers to the power to make laws (Sharman, 1983), and as such has a significant influence on marine resources policy

making. Sharman argues that the States "have the great bulk of law making power" (1983:189), although he identifies the area of offshore jurisdiction as one area where the Commonwealth's power to legislate was reinforced by High Court decisions (1983:191). In the development and implementation of marine policy generally, and marine resources policy specifically, the issues of federalism and jurisdiction are important frameworks within which the policy decisions are made, but also are key variables in their own right.

The impact of federalism on policy making where the policy issue transcends the boundaries between the levels of government, has been considered by Ziegler (1980). Ziegler believes that the overlap in responsibility between the national and lower tiers of government acts as a constraint on the development of policy by increasing the number of policy actors and slowing down the process of decision making through increasing the complexity of negotiations (1980). This view of the impact of a federal political structure on policy making emphasises the impact of intergovernmental relations in the processing of policy "issues", considered in more detail in the subsequent case material.

### 3:4:1 The Development of a Federal Structure of Marine Decision Making

Prior to federation the Australian colonies were responsible for the development and administration of the fisheries off the adjacent coastlines (Harrison, 1982). The States retained control of fisheries following the federation of the colonies in 1901, although aspects of related policy areas such as navigation and the maintenance of lighthouses were specifically included as responsibilities of the Commonwealth government in the Constitution. The Constitution provided for the

Commonwealth to have responsibility for fisheries "beyond territorial limits" (Sec.51.xx), although there seemed to be little interest by the Commonwealth to act upon this power until the late 1940s, in part due to the uncertainty over where these limits occurred. The Commonwealth did sponsor attempts to establish to trawl fishery off the Australian coast, and undertook surveys of fish stocks in the period immediately prior to the First World War. After initial surveys in Bass Strait this research ended with the disappearance of the fisheries research vessel Endeavour in the south Tasman Sea in 1913 (Gilmour, 1969).

#### The Australian Fisheries Act 1952 (Commonwealth)

Following the Second World war the Commonwealth government moved to increase its influence in fisheries policy. International developments and the desire to strengthen the area of fisheries policy were probable influences on this action. In the late 1940s consultation took place with the States over the future of fisheries policy. The Commonwealth argued that the States' responsibilities ended at the end of the three mile territorial sea; areas outside that baseline were the responsibility of the Commonwealth (Harrison, 1982). The concurrence of the States on this issue was helped by the fact that the states regarded the limit of their territorial competence to be at the three mile limit (Harrison, 1982). The extensive Commonwealth-State negotiations, (including a special Premiers Conference in 1947) resulted in the introduction of the Australian Fisheries Act 1952.

The Australian Fisheries Act 1952 gave the Commonwealth government responsibilities for part of fisheries policy and meant that henceforth this policy making would overlap between the States and the Commonwealth.

The potential for disputes over the jurisdiction of each level of government was emphasised by the ambiguous wording of Section 51.10 of the Constitution. The outer limits of the Commonwealth's jurisdiction were set by the declaration of proclaimed waters, which were "waters ddeclared by Proclamation under Section 7 of the Fisheries Act 1952 (Cth)" (Cullen, 1985:App.A vi). The boundaries of these proclaimed waters were set at varying distances from the Australian coast, generally speaking about 200 miles from the east, west and south coasts" (ALJR, 43 1969:275). Cullen (1985) emphasises that these proclaimed waters affected only Australian fishing vessels (emphasis added), and were concerned solely with fisheries. The inner limits were, as has been stated, considered to be at the three mile baseline.

#### The 1967 Offshore Petroleum Agreement

The discovery of hydrocarbons in the Gippsland basin in Bass Strait is detailed in Chapter Five. With the discovery of reserves of both oil and gas, pressure for a reappraisal of the then existing jurisdictional arrangements occurred (Cullen, 1985; Wilkinson, 1983). The original permits were allocated in the absence of any Commonwealth legislation. The original exploration permit was allocated to BHP (later joined in the venture by ESSO Australia), by the State governments of Victoria, Tasmania and South Australia (Leigh, 1970; Trengove, 1975; Wilkinson, 1983; Cullen, 1985). The Victorian government had passed the first specific legislation aimed at offshore oil and gas exploitation (the Undersea Mineral Resources Act 1963 (Vic.)), prior to the first exploration programme initiated in late 1964. The uncertainty of the question of jurisdiction over the Gippsland Basin and of Bass Strait generally led BHP to take out permits with all States (Leigh, 1970).

Prior to the successful oil and gas strikes in the Gippsland Basin attempts were made to resolve the constitutional position of legislation for offshore exploration. This topic had been discussed at a meeting of relevant ministers from both the Commonwealth and the States in 1962 (Cullen, 1985). Decisions in the United States in the late 1940s "did nothing to dispel these doubts" (Cullen, 1985:10) over the vesting of jurisdiction in either the Commonwealth or the States. The question of offshore jurisdiction "was referred to the Standing Committee of the Commonwealth and State Attorney's General . . . [which] concluded that the constitutional position was even more obscure than any one had previously thought" (Cullen, 1985:10). Cullen claims that the uncertainty over the question of jurisdiction, which, on the basis of the United States' experience, seemed to indicate that the states had particular rights in the offshore zone, "gave the Commonwealth and States an unusual equality of bargaining power as they began their discussions" (1985:11). As these discussions continued during the mid 1960s the potential of the offshore oil and gas resources in the Gippsland Basin was becoming apparent, with both the Commonwealth and the States (particularly Victoria) wishing to maintain the impetus of exploration.

The negotiations between the Commonwealth and the States were completed in 1967, and the results, which came to be known as the 1967 Petroleum Agreement, were published. This agreement led to the introduction of the Petroleum (Submerged Lands) Act 1967 (Cth) and an associated legislative package. An important feature of the 1967 Agreement was that it did not attempt to resolve the underlying question of jurisdiction, but instead the States and the Commonwealth undertook

to produce a regime that would allow the continual development of offshore hydrocarbons without raising the constitutional issues. This purpose was explicitly stated in the preamble of the Agreement which states inter alia:

... the Governments of the Commonwealth and of the States have decided, in the national interest, that, without raising questions concerning, and without derogating from, their respective constitutional powers, they should cooperate for the purpose of ensuring the legal effectiveness of authorities to explore for or to exploit petroleum resources... (Cullen 1985:11)

The constitutional issues were avoided through the introduction of mirror legislation into both the Commonwealth and State parliaments. Mirror legislation enabled the legislative basis for oil and gas exploration policy to be established, with the same system of exploration permits and production licences to be undertaken by all governments. The Petroleum (Submerged Lands) Act 1967 (Cth) incorporated a legislative package which set up "designated authorities", responsible for the administration and management of offshore resources. The designated authorities were individuals nominated for the purpose of both the statute and the mining code within the Agreement (Cullen, 1985). The designated authorities were responsible for the initial granting of exploration permits, according to permit blocks within what became known as the "adjacent areas". A map of these areas can be found in an earlier section of this chapter. The process through which permits and licences were allocated will be discussed in Chapter Five. The use of the mirror legislation device enabled both the Commonwealth and State governments to encourage exploration without letting constitutional issues forestall developments.



The Constitutional status of the 1967 Agreement could be challenged as either the Commonwealth or the States attempted to assert primacy in offshore jurisdiction (Cullen, 1985). In order to investigate some of the constitutional questions surrounding offshore jurisdiction a Senate Select Committee was set up to inquire into offshore petroleum resources. This committee was established in 1968 and presented its report in 1971 (Cullen, 1985:16). Part of the purpose of the Senate Select Committee was to investigate criticisms of the 1967 Agreement, considered to have "so scrambled administration between the Commonwealth and the States that there could be no adequate ministerial responsibility for either legislature" (Wettenhall, 1983:163). Criticism of the 1967 Agreement was included in the Royal Commission on Australian Government Administration, (1976) known by the acronym RCAGA.

The RCAGA inquiry examined the criticisms of the 1967 Agreement that the uses of the mirror legislation at the heart of the Agreement was not compatible with the conventions of ministerial responsibility under a Westminster system (RCAGA 1979, App.2:445). Sharing responsibility between the tiers of government negated these principles, as neither the Commonwealth or State Minister was solely responsible (RCAGA, 1979). As the RCAGA report notes "the constitutional question was, at the time, (1967) left unresolved. The High Court has subsequently (1975) decided that sovereignty resides in the Commonwealth of Australia" (1979, App. 2:444). The developments leading to this High Court decision, and reaction to it were fundamental in determining the political framework for marine resource policy making and management.

The 1967 Agreement and the legislation which derived from it

provided a practical system for the management and administration of offshore hydrocarbon resources. The Agreement did not, as has been stated, solve the constitutional questions surrounding the administration of these areas. In the late 1960s the Commonwealth moved to establish its sovereignty over the offshore areas. This attempt at establishing sovereignty occurred first with an abortive attempt by the Gorton government and then with the more successful legislation of the Whitlam government in 1973.

#### Commonwealth Territorial Sea and Continental Shelf Bill 1970

The Liberal-Country Party coalition government of John Gorton attempted to act to resolve the issue of offshore jurisdiction when it introduced the Territorial Sea and Continental Shelf Bill (1970). This Bill "asserted the exclusive right of the Commonwealth to exercise sovereign control over the sea bed off the Australian coast from low water mark to the limits of the Continental Shelf" (Emy, 1974:204). The Bill was violently opposed by the States and individuals within the parliamentary Liberal and Country parties (Emy, 1974; Whitlam, 1983). The strong opposition to the Bill within the government resulted in the legislation being withdrawn, and has been seen as a contributing factor in the downfall of Gorton as leader of the Liberal Party, and as Prime Minister (Emy, 1974; Whitlam, 1983; 1985). The Bill lapsed when Gorton's successor as Prime Minister, Mr. McMahon, prorogued parliament for the 1972 elections when the coalition was defeated by the Whitlam led Australian Labor Party. The fate of the "Gorton Bill" emphasises the importance of the States in the discussion of offshore federalism. The "States rights" supporters within the federal parliamentary Liberal

Party, together with the State branches of the party, were able to force the Bill to be withdrawn. E.G. Whitlam states that "... Gorton was replaced by McMahon because he fell foul of the Liberal organisation in each State by insisting on federal control of those [offshore] resources" (1983:46).

Although the "Gorton Bill" was withdrawn before it could become law, the "federal (Labor) opposition has made it clear that it supported the assertion of Commonwealth rights over the territorial sea and Continental Shelf" (Cullen, 1985:19). When in power the government introduced a similar Bill into the House of Representatives in 1973; the Seas and Submerged Lands Bill.

#### Commonwealth Seas and Submerged Lands Act 1973

The election of the Whitlam-led Australian Labor party into government as a result of the December 1972 federal election led to a reappraisal of a wide range of policies. In terms of resources the Whitlam government believed in the Commonwealth government's pre-eminence in this aspect of policy making (Evans, 1977). The Whitlam government introduced the Seas and Submerged Lands Bill 1973 as part of this programme. The Seas and Submerged Lands Act 1973 (Cth) was immediately challenged by the States, as it claimed Commonwealth sovereignty over the territorial sea from low water mark (Evans, 1977). The Seas and Submerged Lands Act was declaratory in nature (Evans, 1977) and attempted to resolve the issue of jurisdiction once and for all, by encouraging a High Court challenge by the States. As Cullen has commented, the final version of the Bill which received assent "in essence ... embodied the proposals put forward earlier by the Gorton government" (1985:21).

The challenge to the Commonwealth's power to legislate for control over the territorial sea involved all States, led by New South Wales. The Sea and Submerged Lands Case (New South Wales v. the Commonwealth 135 C.L.R. 337) had its decision handed down in December 1975. The decision upheld the power of the Commonwealth to legislate to control the territorial sea, and vested sovereignty over offshore resources with the Commonwealth government. The defeat of the Whitlam government earlier in December 1975 meant that although the validity of the legislation was upheld, the Whitlam government could not act upon the decision of the High Court. The election of the Liberal Coalition government, with a platform of "co-operative federalism", placed the issue of offshore jurisdiction back onto the political agenda.

#### The Offshore Constitutional Settlement (OCS)

The Fraser government had no intention of implementing the Seas and Submerged Lands Act, given the States' opposition to the Gorton proposal. The States' position was made clear by their High Court challenge as well as the revolt within the Liberal party over the infringement of "States' rights" with the 1970 Bill. Ignoring the decision in the Seas and Submerged Lands Case the Liberal government tried to develop a means of returning the jurisdiction of part of the territorial sea to the States on the basis of the cooperative federalism programme. These issues formed the basis of a special Premiers Conference in 1977, which discussed the range of issues surrounding management of the offshore zone. The 1977 Premiers Conference resulted in an agreement between the Commonwealth and the States to return to the two tiered system of maritime jurisdiction.

This agreement became known as the Offshore Constitutional Settlement (OCS), and was "launched" in 1979. The OCS was described as being a "milestone in co-operative federalism" by the Commonwealth government, utilising a constitutional device to circumvent the High Court's action in the Seas and Submerged Lands Case. The OCS was a political not a constitutional solution, criticised for the fact that "there was no opportunity for public, industry or opposition participation in these discussions" (Reid, 1980:63). The Commonwealth retained a constitutional "head of power" in the administration of the territorial sea as a result of the decisions of the seas and submerged case (1976, C.L.R. 337). The OCS provided a means of reducing the intergovernmental tension which had arisen following the enactment of the Seas and Submerged Lands Act (1973).

The OCS gave the States exclusive control between low water mark and the three mile limit. Outside the three mile limit the OCS proposed the creation of joint authorities between the Commonwealth and State governments that would manage the marine resources. The OCS made specific mention of the handing to the States of "day to day" responsibility for the administration of petroleum resources, while fisheries were to be organised so that, as far as possible, a single set of laws (either Commonwealth or State) would cover them. The fisheries negotiations have taken far longer to resolve, and the fisheries component of the OCS was finalised in June 1986.

The main difference between the OCS and the earlier 1967 Agreement (apart from involving a broader range of marine policy areas), was that the "actual agreement between the parties resulting from the offshore

negotiations has not been published" (Cullen, 1985:68). The Commonwealth did publish what became known as the "Agreed Arrangements" in a publicity kit, entitled Offshore Australia released by the Attorney General's department (1980). The agreed arrangements are reproduced below.

Figure 3:4

## OCS AGREED ARRANGEMENTS

The Agreed Arrangements provided that:

1. The area involved would be limited to a territorial sea of 3 nautical miles irrespective of whether Australia subsequently moved to a territorial sea of 12 nautical miles.
2. The Commonwealth Parliament would pass legislation to give each State the same powers with respect to the territorial sea (including the seabed) as it would have had if the territorial sea had been within the limits of a State.
3. The Commonwealth Parliament would pass legislation to vest in each State proprietary rights and title in respect of the seabed of the territorial sea.
4. The Commonwealth Parliament would make consequential amendments to the Seas and Submerged Lands Act 1973 to ensure that State laws passed under the legislation mentioned in 2. and 3. would not be invalidated by that Act.
5. Off-shore petroleum operations outside the territorial sea would be regulated by Commonwealth legislation alone, consisting of an amended Petroleum (Submerged Lands) Act 1967 (Cth.), although day-to-day administration would continue to be in the hands of each State.
6. Off-shore petroleum operations in the territorial sea would be regulated by State legislation alone although the Common Mining Code would be retained as far as practicable.
7. Arrangements would be made to institute a regime for the mining of off-shore minerals other than petroleum in the same format as described in 5. and 6.
8. New arrangements would be introduced to enable single fisheries to be regulated by one set of laws, Commonwealth or State as agreed between the parties.
9. The Historic Shipwrecks Act 1976 (Cth.) would be amended so that it would be applicable to waters adjacent to a State or the Northern Territory only with the consent of that State or Territory.
10. The Great Barrier Reef Marine Park Act 1975 (Cth.) would continue to apply to the whole of the Great Barrier Reef region as defined in that Act and the rights and title to be vested in respect of the seabed of the territorial sea would be subject to the operation of that Act. Other marine parks would be the subject of Commonwealth/State consultation.
11. An agreed scheme of complementary Commonwealth/State legislation would be put in place to ensure that an appropriate body of Australian criminal law would be applicable off-shore.
12. The regulation of shipping and navigation would be divided between the States and the Commonwealth with the Commonwealth being responsible for trading vessels on interstate or overseas voyages, drilling vessels, and the implementation of an Australian shipping register. The parties would also implement the Uniform Shipping Laws Code published in the Commonwealth of Australia Gazette on 28 December 1979.
13. Commonwealth legislation would continue to control ship-sourced marine pollution.
14. The Northern Territory would be treated as a State for the purposes of the Settlement.

Cullen (1985:68-70)

The OCS was established by the use of Section 51.xxxviii of the Constitution, which allowed the States to request the Commonwealth to legislate on areas of mutual concern. A feature of the OCS was the introduction of complementary legislation at both Commonwealth and State levels. Unlike the earlier system used in the 1967 Agreement, the legislation was not aimed as a "mirror" but to separate the areas of

responsibility clearly. The Fraser government made it clear to the States that it did not expect to take unilateral action over marine resources policy, and that the concept of "cooperative federalism" was at the centre of the OCS scheme.

The keys to the legislative design of the OCS were the Coastal Waters (State Powers) and (State Titles) Acts 1980. This legislation was to be introduced concurrently into the Commonwealth and State parliaments, together with a range of legislation concerned with fisheries, petroleum, crimes at sea and historic ship wrecks. Most of this legislative package comprised amendments to existing legislation to bring them into line with the OCS agreed arrangements. A non-petroleum minerals regime was envisaged as part of the original settlement, and although this legislation was passed at the Commonwealth level, no such legislation has yet been introduced by the States (Cullen, 1985).

The passage of the OCS emphasises the impact of federalism in the development of marine resources policy. Bass Strait fisheries and oil and gas policy has been greatly influenced by the evolution of offshore federalism which at times was external to issues of resource management. The period of time from initial discussions over the OCS to the implementation of the resource management or administrative packages was lengthy, with the agreement over the fisheries component made in 1985, eight years after the OCS was first mooted. Unlike the 1967 Agreement the OCS made the position vis a vis the Commonwealth and States clear; following the High Court decision in the Seas and Submerged Lands Case the States had everything to gain by supporting the OCS concept. The relative importance of hydrocarbons and fisheries can be gauged from the

fact that from the earliest stages the focus was on the need to develop a regime for administration of oil and gas exploration. Administration of fisheries was to be resolved "later".

#### The OCS Administrative Regimes for Hydrocarbons and Fisheries Management

The petroleum package of the OCS was, according to the "agreed arrangements", (included earlier in this chapter), similar to the framework developed out of the 1967 Agreement. The relevant State Ministers were to be the "designated authorities", and day to day administration of the areas adjacent to their State were to be in their hands. This role continued outside the three mile baseline, separating Commonwealth and State responsibility, although policy outside this line was developed in co-operation between the Commonwealth and the States. Inside the three mile limit the Coastal Waters (State Powers) Act 1980 (Cth.) gave the States sole responsibility for oil and gas policy.

The Commonwealth Government, through the Minister for Primary Industry, gave a commitment to implement the fisheries package as soon as discussions were concluded with all States and the Northern Territory at the Australian Fisheries Council (AFC) meeting in Darwin in July 1985. This announcement was made in conjunction with the release of a management regime for the scallop fishery in Bass Strait, discussed in a subsequent chapter. The scallop fishery was acknowledged by the DPI as the most difficult fishery to administer under the OCS, due to problems posed by a lack of agreement between the States of Tasmania and Victoria over the future management of the fishery. The announcement of the opening of the Bass Strait scallop fishery in June 1986 was made in conjunction with an statement from the DPI that this management regime was the first part of the OCS fisheries package to be implemented.



The aim of the fisheries component of the OCS was to allow a single fishery to be controlled and managed by a single law, either Commonwealth or State, as agreed by the different parties. This led to the development of a variety of management categories: First a particular species could be managed solely as a Commonwealth responsibility. A second category would allow a fishery to be managed as a State responsibility. A third category of a joint system of Commonwealth-State management was envisaged. A fourth category, maintaining the status quo was also expected to be part of the final OCS system. It was expected that where agreement is reached that a particular fishery should be managed by a State, that State would have responsibility, where biologically necessary, for the management of the resource from low water mark to the edge of the Australian Fishing Zone, (AFZ).

### 3:4:2 Institutions and Agencies Responsible for Marine Resource Policy in Bass Strait.

The previous section has indicated how the federal system of marine resource administration has developed. The basic pattern of Commonwealth-State shared jurisdiction which evolved from Federation and the 1952 Fisheries Act and the 1967 Petroleum Agreement has been strengthened by the development of the OCS. Within this federal structure, policy is developed by agencies at each level which at times may lead to overlays in responsibility. Increasing the number of policy making institutions has an obvious effect in increasing problems of co-ordination between them, increasing the potential for disputes between the different institutions at each tier of government. Ziegler's

(1980) criticism of such overlays in policy making is interesting, it is claimed that such overlays lengthen the process of implementing policy. Counter to this argument is a view that the existence of an institutional framework with responsibility for policy shared between a number of actors broadens the issue community and increases inputs into the process of resource management.

(i) Current Institutional Structure: Oil and Gas Policy in Bass Strait.

The OCS provided the States with the day-to-day administration of offshore oil and gas programmes (Cullen 1985). In Bass Strait the location of the Gippsland Basin production facilities gives the Victorian Oil and Gas Division of the Office of Minerals and Energy a pre-eminent position in the management of these resources. The Victorian government has had a twenty year association with the exploitation of offshore hydrocarbons, and has considerable expertise in the management of these resources. Tasmania lacks any production facilities in its sector of Bass Strait, but nonetheless is involved in administering an increasing exploration effort, particularly in 1985-86, in the Bass Basin. In terms of policy initiatives, the most important institutional actors are the Commonwealth Department of Resources and Energy, (DRE) and the Bureau of Mineral Resources, (BMR), who have responsibility for the development and implementation of Commonwealth government policy on royalties, excise and pricing. The BMR also provides technical and scientific expertise to the Commonwealth.

(ii) Commonwealth Agencies: The DRE and BMR.

The DRE comprises a number of divisions; the most significant for offshore hydrocarbon policy is the "petroleum division". The BMR forms a semi-autonomous organisation within the ambit of the DRE, with specific functions related to resource surveys and analysis. The DRE is

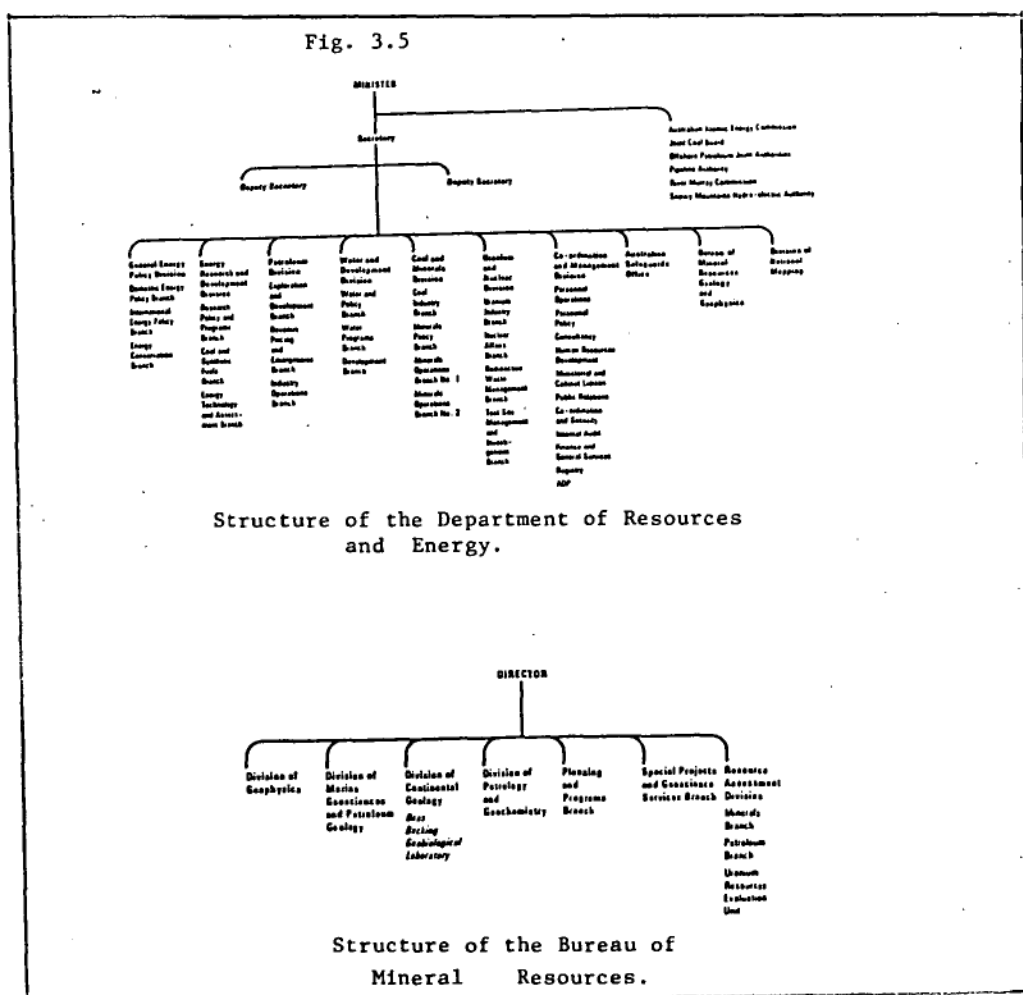
responsible for policy development and programme administration in relation to exploration for, and development of, the nation's minerals and energy resources.

(CGD 2RE Apr. 1984:1)

The structure of the DRE is indicated below in Figure 3.5. The Petroleum Division of the DRE

provides advice on exploration for production, refining, supply and distribution of, and contribution to government revenue from, petroleum and related issues.

(CGD 2RE Apr. 1984:6)



Specific responsibilities of the Division relating to offshore oil and gas programmes include the

administ[r]ation of] Commonwealth responsibilities in relation to: the exploration and exploitation of the petroleum resources of the continental shelf ... clearance of all offshore exploration and development activities such as seismic surveys and drilling .... and consultation with officials of State and Northern Territory mines department on administrative matters.  
(CGD 2RE Apr. 1984: 7)

In addition to consultation with State and Territory ministers and departments the Division "consults with industry through individual companies and industry associations such as the the Australian Petroleum Exploration Association (APEA)" (CG D2RE Apr. 1984:8) This formal arrangement with APEA will be examined in more detail in Chapter Five, as it is an important linkage between major actors.

The BMR is primarily concerned with providing technical or scientific data input into policy deliberations. "It is the responsibility of the Bureau to develop an integrated, comprehensive, scientific understanding of the geology of the Australian continent ... [and] the Australian offshore area" (CGD 2RE Apr. 1984: 23). The BMR is structured into separate divisions, see Figure 3:5, with the Division of Marine Geosciences and Petroleum Geology "responsible for undertak[ing] regional offshore geological and geophysical investigations [and] analys[ing] and intergrat[ing] ofshore petroleum company data" (CGD 2RE Apr. 1984: 24). An example of the BMR's involvement in Bass Strait oil and gas policy can be illustrated by reference to the Fortescue/West Halibut dispute. The BMR was called to provide a geologic proof that oil from the newly discovered BHP-ESSO Fortescue field was not the same structure as the nearby Halibut field.

This proof was used to resolve questions whether the oil from Fortescue would be regarded as "old or "new" oil in the royalty and pricing regime introduced by the Commonwealth government. Wilkinson (1983: 61-63) provides a discussion of the of the Fortescue issue and the importance of the BMR's proof on the development of the Fortescue field which, as "new oil", received import parity pricing. This is discussed in greater detail in Chapter Five.

(iii) Institutional structure - Oil and Gas Policy (Victoria)

In Victoria the Office of Minerals and Energy within the "super department" of Industry, Technology and Resources, is responsible for the administration of the Gippsland Basin oil and gas fields. Within this office the main administration is carried out by the Oil and Gas Division. The Oil and Gas Division

regulates the exploration for and production of petroleum from both onshore and offshore Victoria, including the approval of geophysical surveys and the design, construction, operation and maintenance of offshore platforms and pipelines conveying crude oil, natural gas [and] gas liquids.

(Vic. Govt. Direct. 1985: 132.)

The Oil and Gas Division claims considerable expertise in hydrocarbons management. It has attracted staff through active outside recruitment and secondments to and from industry. The long association of the Victorian government bureaucracy with the exploration and production of Bass Strait oil and gas is emphasised by this agency.

(iv) Institutional structure - Oil and Gas Policy (Tasmania)

Given that there are no production facilities in the Tasmanian sector (or "adjacent area") of Bass Strait, the role of the Tasmanian

Mines Department is chiefly concerned with allocating exploration permits and evaluating drilling programmes. Successful strikes in 1985-86 may lead to further drilling, with possibility of production from these "wildcat" wells. The current Tasmanian government has responded to this increased offshore developmental activity by creating a new Resource Development, Planning and Policy Branch (RDP&P) within the Mines Department, as well as increasing recruitment of petroleum geologists to other sectors of the department.

(v) Current Institutional Structures: Fisheries Policy in Bass Strait

The OCS "agreed arrangements" reinforced the institutional structure of fisheries management that has existed since the enactment of the Australian Fisheries Act (1952). The States of Tasmania and Victoria have had a long history of fisheries administration, with agencies responsible for aspects of fisheries management predating Federation (Harrison 1980, 1982). The responsibilities of the State and Commonwealth fisheries administrations are set by the legislation as introduced or amended by the OCS, with negotiations completed over the administration of the scallop fishery in Bass Strait.

In any area of public policy the structure of the institutions responsible for the development and/or implementation of policy can have a major influence on the policy output. The importance of these institutions as focal points in the issue community has been examined in Chapter Two, and will be reinforced in the discussion of the case studies. The institutional actors have a significant influence in the interaction process but are also influential in their administration of delegated legislation. The institutions such as the fisheries agencies

of Tasmania, Victoria and the Commonwealth governments have in addition considerable expertise and knowledge of the resource base. This expertise is obviously important in the development of management plans for these resources, and may be relied upon by the political decision makers.

As this study concentrates on interaction among policy actors, the institutional structure responsible for administration and resource management become important elements of the issue community. The institutional structure may influence the interaction of industry or other non-institutional groups and, conversely, may, as experienced in Tasmania and Victoria, be influenced by the actions of these groups. The restructuring of the fisheries agencies in these States was influenced to some degree by the actions of industry groups. The resulting restructuring involved a range of issues and was in response to various factors. The industry was more visible in its lobbying in support of the overturning of the existing institutional structure in Tasmania, (see following discussion), although the Victorian Professional Fishermen's Association, (VPFA), had a long standing policy of supporting the move of fisheries to the primary industry portfolio.

(vi) Institutional structure - Fisheries Administration: Commonwealth

The institution responsible for providing advice and technical support to the Commonwealth government over fisheries matters is the Australian Fisheries Service (AFS) in the Department of Primary Industry (DPI). The AFS functions to advise government on conservation, management and utilisation of the marine living resources of the Australian Fishing Zone (AFZ), to consult with State governments, CSIRO,

industry, and other agencies on fisheries matters and to implement and administer Commonwealth fisheries policy (Aust. Fish. June 1986).

The AFS, headed by a Director, is organised into several branches with specific administrative or resource management functions, further subdivided into sections. The AFS also has developed specific fisheries Task Forces, seen as a major initiative of the Commonwealth government in this area of policy (Byrne 1985). The Task Force concept was fundamental to the resolution of the issues surrounding the scallop fishery management.

(vii) Institutional Structure - Fisheries Administration: Victoria

The institution responsible for fisheries administration, in Victoria is a branch of the Fisheries and Wildlife Service of the Department of Conservation, Forests and Lands. Marine fisheries are administered by the Marine Resources Management Branch, (MRMB) comprising two sections; what was previously known as the Commercial Fisheries Branch, (located in the FWS and then in the Department of Agriculture and Rural Affairs) and the Marine Science Laboratories (MSL). The Commercial fisheries Branch is responsible for management, enforcement and licencing of commercial marine fisheries and the MSL provides research support for these management plans. The MRMB is headed by a Director and is being relocated at Queenscliff, Victoria. The reasons for, and effects of, the restructuring of the fisheries agency in Victoria is discussed in a subsequent section.

(viii) Institutional Structure - Fisheries Administration: Tasmania

Following the findings of the O'Kelly Review (1984) into the administration and operation of the Tasmanian Fisheries Development



Authority, (TFDA), detailed in a subsequent section, the TFDA was replaced by a Department of Sea Fisheries. The most significant effect of this change was to the structure of the new agency. The DSF was made directly responsible to the Minister for Sea Fisheries, rather than to a Board of Management as had been the case with the TFDA.

The DSF is headed by a Director with the original proposal for three assistant directors to be appointed to lead specific sections. These sections were first, management, second research and finally resource development. An Assistant Director (Management) was appointed in early 1985 with the other appointments left unfilled.

The structure and more particularly the functions of the institutions responsible for the administration of the fisheries of Bass Strait are important influences in the extent to which industry groups can become involved in the development of fisheries management plans. It is important to note that the structure of the institutional framework is not static, and can undergo considerable change. This change can arise out of alterations to the legislative system, external to the institution, for example the introduction of the OCS resource packages and the concomitant administrative regimes, or from internal restructuring of the institutions. During the period that the issues discussed in the following chapter were "on the agenda" each administrative agency underwent internal restructuring, ranging from complete changes to the agency in Tasmania to internal changes at the Commonwealth level in the AFS.

(ix) Institutional Restructuring and Fisheries Agencies: 1984-1986

The Tasmanian Fisheries Development Authority, (TFDA), was set up in 1977 following recommendations contained in a report, (O'Kelly 1976), commissioned from Mr. Brendan O'Kelly, a fisheries consultant. Prior to the introduction of the TFDA sea fisheries had been administered by the Department of Agriculture. A key feature of the TFDA, and one that was to figure prominently in the debate over its future was the creation of an advisory board comprising representatives from the catch, processing and marketing sectors of the fishing industry, a government representative and the chairman of the TFDA. The advisory board was to advise the Minister "on questions relating to the management, control, regulation and development of sea fisheries" (O'Kelly 1976:15). It is considered that the inability of the fishing industry to utilise this advisory body effectively had an influence on the industry's dissatisfaction with the TFDA. The TFDA was separated into three divisions aimed at providing specific administrative/secretariat, resource development and management functions.

The TFDA faced increasing criticism over its operation from within the industry in the early 1980s. The Professional Fishermen's Association of Tasmania, (PFAT), passed a vote of no confidence in the TFDA over its handling of the scallop fishery in September 1983, discussed in greater detail in Chapter Four. This criticism was linked to a perception of low staff morale and rumours, later raised in State parliament, of corruption in the operation of the Authority. Police inquiries over documentary evidence provided by former employees of the TFDA were followed by an announcement, by the government, of a review of the TFDA.

The review of the TFDA was, interestingly enough, carried out by Brendan O'Kelly who had earlier recommended its establishment. The O'Kelly Review, (1984), examined the operation of the TFDA and recommended that the authority be abolished and be replaced by a Department of Sea Fisheries. Some features of the TFDA, particularly the industry liaison committees, were commended and encouraged to attract wider industry representation (O'Kelly 1984). The new department was encouraged to improve its public relations and industry consultative procedures (O'Kelly 1984). The only recommendation not implemented by the government was the proposal to link inland (freshwater) fisheries with sea fisheries in the one Department. The Department of Sea Fisheries was established in February 1985.

In Victoria the restructuring occurred out of the Victorian government's desire to regionalise government functions. The effect of this review was to lead to a decision in early 1985 to separate the administrative and scientific/resource analysis functions of the Fisheries and Wildlife Service. In addition the Commercial Fisheries Branch which retained responsibility for licencing and enforcement of fisheries, was to be placed within the Department of Agriculture and Rural Affairs. Such a move had been supported by fishermen's groups in Victoria for a considerable time. The problem of separating such an important Branch from the rest of the Fisheries and Wildlife Service, (FWS), caused considerable concern within the fisheries administration, and the major industry organisations, the Victorian Professional Fisherman's Association, (VPFA) and the Victorian Fishing Industry Council, (VFIC), acknowledged that there were difficulties in having to deal with separate agencies.

In late 1985 moves were made to return the two fisheries agencies, (the FWS and the Commercial Fisheries Branch, CFB,) back into one institution. The problem of co-ordination between separate agencies had become significant, as the effective management of the resource relies on linkages between the research and the licencing/enforcement components of the fisheries bureaucracy. The decision to implement the recommendation to amalgamate the CFB with the research and resource assessment functions of the Marine Science Laboratories, (MSL), was made in early 1986. The Commercial Fisheries Branch was to relocate from Melbourne to Queenscliff, the location of the MSL, and the amalgamation would create the Marine Resources Management Branch of the Fisheries and Wildlife Service.

The effects of the Tasmanian and Victorian administrative changes can be seen as important features within the policy environment. Responsibilities for specific functions were changed and links within the issue community, particularly those informal contacts between industry and policy makers, may have altered as a result. The turmoil in the Tasmanian and Victorian institutions may be a contributing factor towards the slow progress of negotiation over specific resource management issues in 1984-85. In contrast to the significant changes at the State level, the Commonwealth Department of Primary Industry, (DPI), implemented minor changes to the structure and functions of the Commonwealth agency in 1985 and 1986.

An announcement that the Fisheries Division of the DPI was to be scrapped and renamed the Australian Fisheries Service, (AFS), with subtle functional changes, was made at the Australian Fisheries

Conference in January 1985. The AFS included a new branch devoted to "industry services". The Conference also endorsed the creation of the National Fishing Industry Council, (NFIC), which was to replace the moribund Australian Fishing Industry Council, (AFIC). These bodies are discussed in greater detail in Chapter Four, and in Appendix 1:2. In 1986 the AFS underwent further internal change, with a rationalisation of the Industry Services section's functions and structure.

### 3:5 SUMMARY OF THE POLITICAL, LEGISLATIVE AND INSTITUTIONAL BACKGROUND.

The overlay in responsibility between the Commonwealth and State governments for both fisheries and offshore oil and gas policy makes the marine resources policy environment particularly complex. This overlay raises problems in the co-ordination of policy and resolution of conflicts between the different tiers of government. Institutions, or other policy structures such as ad-hoc may be established to provide points of contact, and mediation, between these tiers. Such moderating (or mediating) institutions have increased in importance in intergovernmental relations in Australia (Chapman 1985), and include the Premiers Conference and more specifically the Ministerial Councils responsible for particular policy areas.

Ministerial councils such as the Australian Fisheries Council (AFC) and the Australian Minerals and Energy Council (AMEC) may provide a forum for debate and mediation between competing demands from the Commonwealth and State governments, and also enable policy to be co-ordinated. Such institutions are major actors, even though it is argued in this thesis that such inter-governmental bodies fail to

adequately involve non-government actors in these deliberations over policy. Given the technical nature of marine resources management the technical and advisory committees of these Ministerial councils may also be important in the interaction over policy.

The interaction between policy actors is influenced by a number of variables which together contribute to creating the policy environment. This Chapter has identified the chief variables of the policy environment that influence the functioning of the issue community and the interaction process, the following chapter examines the development of a particular resources policy within this environment. Aspects concerning fisheries policy in Bass Strait are examined in detail prior to an examination of the interaction over the implementation of the Bass Strait scallop fishery Management Regime.

## CHAPTER FOUR

### BASS STRAIT FISHERIES POLICY

#### 4:1 INTRODUCTION

The examination of issues arising from the development of fisheries policy illustrates the influence of interaction between resource user interest groups and institutional actors on both the policy process and policy outcomes. Such fishery policy (contained in management plans for specific fisheries) is developed and implemented within a broader policy environment which has been discussed in the preceeding chapter, complicated by the particular features of the evolution of Australian offshore federalism. The development of policy, and the interaction between the actors comprising issue communities concerned with aspects of fishery policy, is also influenced by the characterstics of the fishery including the distribution of stocks, economic returns, infrastructure provision and finally the historical development of the fishery.

Chapter Four is subdivided into two parts; Part A provides a brief review of the fisheries of Bass Strait while Part B concerns an analysis of the introduction of a management regime in the Bass Strait scallop fishery. Part A begins with a brief survey of the development of the Bass Strait fisheries and then provides a more detailed analysis of the characteristics of the commercial fisheries of the region. This analysis includes details of the main commercial species comprising the Bass Strait "catch" , the value of this catch, the number of people engaged in fisheries and the characteristics of the fishing fleet,

concluding with the distribution of ports and major infrastructure. This general overview is necessarily brief and leads into a detailed assessment of a particular fishery, the Bass Strait scallop fishery. The introduction of a management regime for this fishery provides empirical data to examine the influence of interaction between policy actors on policy process and outcomes. The discussion which arises out of this analysis may provide some utility in the analysis of other issues in fisheries policy, a factor that will be examined in the concluding chapter of the thesis.

The second part of this chapter applies the framework of analysis developed in chapters One and Two to the empirical data provided by the scallop case study. This analysis considers the emergence of the scallop "issue community"; particularly how such communities influence the pattern of interaction between institutional actors and the interest groups. The discussion in this section involves the identification of the issue community, the interaction during what may be termed the policy process and in the concluding section the influence this interaction has on the policy making structure.

The analysis indicates that the number of actors involved in the "issue" was considerable, which lengthened the period of consultation. In addition the emergence and processing of the issue of scallop management as well as the implementation of the management regime involved the complexities of offshore federalism; resolving problems in inter-governmental relations, debates over jurisdiction and finally issues surrounding the introduction of the Offshore Constitutional Settlement.



## PART A

## FISHERIES RESOURCE BASE AND FISHERIES POLICY

## 4:2 THE DEVELOPMENT OF THE BASS STRAIT FISHING INDUSTRY

The development of the fishing industry in Bass Strait is closely linked to the European settlement of the islands and coastal margins of the Strait (Gilmore 1969). From the time of the earliest European settlement of the colony of Van Diemen's Land, and later that of Victoria, fisheries provided an important, if variable, source of economic development. An analysis of the development of these fisheries emphasises how the industry developed through a continuous broadening of resource stocks, with new fisheries being exploited during particular periods. The diversification or broadening of the base of the fishery is continuing at present, in particular with the attempt to develop a squid fishery in Bass Strait.

The first marine resources exploited in Bass Strait were based on the extensive seal colonies of Bass Strait Islands and the whales found within the region. The sealers became notorious even in relatively contemporary accounts, (West 1851), and wiped out the resource in a short period of time. The sealing industry began in 1798 and has reached its peak in 1806 (Gilmore 1969). Interestingly, the seal industry provides the first attempt by a government to regulate the exploitation of marine resources in Bass Strait; unfortunately this was unsuccessful and the seal slaughter continued (Robson 1983). By the 1820s sealing had ceased to be profitable.

A similar pattern of resource use occurred in the whaling industry in Bass Strait. Whaling developed as a major industry in the

early nineteenth century. The value of the industry reaching "a maximum of 197,000 pounds in 1838. By 1894 the slaughter of the whale stocks, as with the seals, had reduced the value to a mere \$700" (sic Gilmore, 1969:62).

Gilmore postulates that the fishery of Bass Strait developed a dependence on inshore fishing grounds, giving the industry a distinctive "bay and inlet" character in the period following the initial settlement of the colonies of Van Diemen's Land (later Tasmania) and Victoria. The exploitation of inshore finfish and crustaceans encouraged a growth of small ports providing infrastructure in the form of processing facilities, wharfage and provedoring for the developing industry. Commercial fishing developed in the mid 1800s, although it was not until the period following the Second World War that extensive fishing had taken place outside the coastal margins of Bass Strait.

Of the commercial fisheries, the Southern Rock Lobster has been the major species exploited. In Tasmania the Southern Rock Lobster of "crayfish" has been an important contributor to the value of the Bass Strait catch and the economy for many years, "providing a stable level of catch and a steady income producer since the early days of the colony" (Olsen, 1967:74). The southern rock lobster fishery also provided the first conflict between Tasmania and Victoria over resource management. In the 1890s the introduction of the crayfish pot in Victoria led to problems, as this technique was illegal in Tasmania (Harrison, 1977). Eventually the issue was resolved after a lengthy dispute, with the cray-pot legalised in Tasmania in 1926 (Harrison, 1977).

The other major fisheries in Bass Strait - the shark, demersal fin - fish, scallop and abalone fisheries - developed in the period between the 1930s and 1980s. Although a shark fishery based on the school shark, (Galeorhynchus australis), had existed in Recherche Bay, southern Tasmania, since the 1880s (Olsen, 1967), it was not until the 1930s that the shark fishery based on the school and gummy shark (Mustelus antarcticus) developed a commercial focus (Macdonald, 1986).

Attempts to establish a trawl fishery in Bass Strait occurred in the early decades of the twentieth century (Gilmore, 1969). Commonwealth government sponsored surveys occurred in the years prior to the First World War, under the leadership of the Director of Fisheries, H.C. Dannevig on the research trawler Endeavour. Dannevig "had little faith in the potential of Bass Strait to produce paying quantities of demersal or bottom dwelling fish" (Gilmore, 1969:63). The surveys did lead to a trawl fishery being established on the east coast of New South Wales, extending into eastern Bass Strait south towards Flinders Island (Gilmore, 1969). Dannevig's work in western Bass Strait and the Great Australian Bight was cut short by the loss of the vessel, Director and crew in the south Tasman Sea when returning from Macquarie Island in 1914 (Gilmore, 1969).

An inquiry held in Tasmania headed by Professor T.T. Flynn, Professor of Biology at the University of Tasmania supported the development of outer or deep sea fishing grounds, commenting that Tasmanian, and indeed all Australian fisheries, tended to concentrate on the local (inner) or middle grounds (Gilmore, 1969). Following this inquiry and research by Dannevig, a trawl fishery was established which

fished parts of Bass Strait. Early target species included the Tiger Flathead (Platycephalus sp.). The early experiments with otter trawls, based on English patterns, led to early large catches, which soon declined (Gilmore, 1969). As the use of the otter trawl was restricted by sea floor conditions the Danish seining technique was introduced in the 1930s.

Danish seining has become popularly known as "trawling" in Australia (Gilmore, 1969), however it differs from traditional trawling as it involves "shooting" the net to encircle the resource. Instead of dragging a net held open by boards known as "otter" or trap doors, the Danish seine method involves a technique of encircling the stocks with the net. This occurs by "shooting" the net after a line, attached to an anchored buoy, is fully deployed by the vessel. This line may exceed a kilometre in length. Once the net is "shot" the vessel returns to the buoy and retrieves the "free" end of the line. The net is hauled aboard the vessel by winching both lines, attached to each end of the net. The catch is trapped in the net as the net is hauled aboard.

A scallop fishery was first established in the Derwent estuary in Tasmania in 1905. Until 1956, when stocks were discovered off the Queensland Coast, Tasmania had a monopoly on the catch (Olsen, 1967). Scallop beds were discovered off the east coast of Tasmania in the 1950s, and the Port Phillip Bay in 1963 (Olsen, 1967; Pontin and Millington, 1985; Macdonald, 1986). Bass Strait beds were discovered off Lakes Entrance in 1970, and beds off north eastern Tasmania and the Furneaux group were discovered in 1972 following a Tasmanian Fisheries Division survey. In 1980 the deeper Bass Strait beds began to be

developed, leading to increased, although fluctuating catches (Pontin and Millington, 1985; Macdonald, 1986). The scallop fishery is examined in greater detail as a case study of policy interaction later in the chapter.

The most recently established fishery developed in Bass Strait was that based on two species of abalone. The "black lip" abalone (*Notohaliotis ruber*, and the "greenlip" *Schismotis laevigata*) are a species of marine snail, which inhabits the coastal margins and the reefs close to shore (Macdonald, 1986). The abalone industry developed in the 1960s and has become a major fishery, with the majority of the catch exported to S.E. Asia. The abalone is harvested by diving, which limits the effective depth of resource exploitation to approximately 30 metres, the safe limit for continued diving.

The existing commercial fisheries of Bass Strait are considered to have limited potential for development. New trawl species may provide some potential in this fishery, and the possibility of a cephalopod fishery particularly squid in the Strait has been investigated by the Tasmanian fisheries agency (Collins, 1986), in conjunction with the Commonwealth Department of Primary industry.

### 4.3 CHARACTERISTICS OF BASS STRAIT COMMERCIAL FISHERIES

The characteristics of the resource base and its influence on the policy environment has been briefly considered in Chapter Three. It is appropriate to identify key variables within the broader "resource base", taking this concept at its broadest to include the value of the catch, resource users, characteristics of the fishing fleet and infrastructure support. The diverse nature of the Bass Strait fishery is evident, although interdependence between different sectors of the fishery may be important policy considerations.

#### 4.3.1 Major Commerical Species

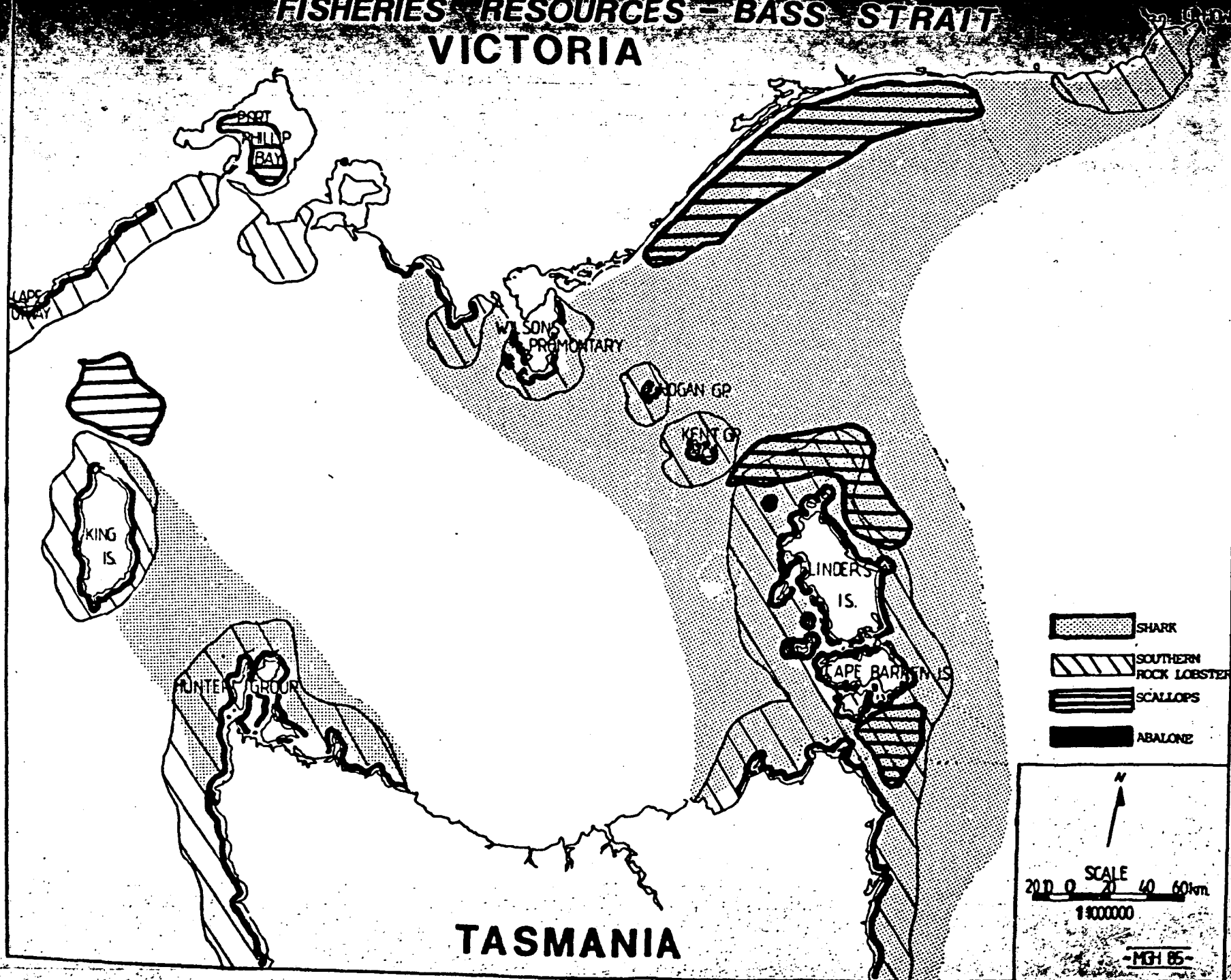
The major fisheries of Bass Strait are those based on the abalone, southern rock lobster, scallop, shark, demersal species harvested by trawl/Danish seine techniques and squid (Macdonald, 1986). These species, with the addition of prawns, comprise the major Australian commercial catch. (Jeffrey, 1984), and provide a significant source of income both through domestic sales and exports. In Bass Strait the three most important commercial fisheries are those based on the abalone, rock lobster and scallop species; fin fish, at least in terms of value of the catch, provide negligible income. The major commercial fish species are shown in Figure 4.1, and their distribution in Figure 4.2.

Figure 4.1

## Major Commercial Fish Species - Bass Strait

Cod	<u>Pseudophycis barbatus</u>
Mullet	<u>Mugil cephalus</u> , <u>Aldrichetta forsteri</u>
Deep sea trevalla	<u>Hyperglyphe antarctica</u>
Warehou	<u>Seriolella bima</u>
Salmon	<u>Arripus trutta</u>
Morwong	<u>Nemadactylus macropterus</u>
Trumpeter	<u>Latris lineatus</u> , <u>Latridopsios forsteri</u>
Flathead	<u>Platycephalus sp.</u>
Tuna - bluefin	<u>Thunnus maccoyii</u>
- skipjack	<u>Katsuwonus pelamis</u> , <u>T. alalunga</u>
Mackerel	<u>Auxis thazard</u>
Snoek (barracouta)	<u>Thyrsites atun</u>
Garfish	<u>Hyporhamphus melanochir</u>
Whiting	<u>Sillago bassensis</u>
Orange roughy	<u>Hoplostethus atlanticus</u>
Blue grenadier	<u>Macraronai novaezealandiae</u>
School shark	<u>Galeorhinus australis</u>
Gummy shark	<u>Mustelus antarcticus</u>
Southern rock lobster	<u>Jasus novaehollandiae</u>
Commercial scallop	<u>Pecten meridionalis/syn fumata</u>
Queen scallop	<u>Equichlamys bifrons</u>
Doughboy scallop	<u>Chlamys asperrimus</u>
Abalone - blacklip	<u>Notohaliotis ruber</u>
Abalone - greenlip	<u>Schismotis laevigata</u>

# FISHERIES RESOURCES - BASS STRAIT VICTORIA





#### 4.3.2 Levels of Production

The importance of the crustacean and mollusc fishery in Bass Strait can be inferred from the statistics for levels of production. Unfortunately statistics for the Bass Strait region are not separated from state based results. This means that an accurate result for Bass Strait is difficult. In addition vessels which landed catches in South Australia or New South Wales are excluded. Tasmanian vessels which land catches in Victorian ports are excluded from Tasmanian catch figures. Due to difficulties in obtaining data, the figures contained in the Archer Report (1982) are used.

Figure 4.3

#### Production of Fish, Crustaceans and Molluscs

##### Tasmania and Victoria 1980-81

##### Tonnes live weight

	Tasmania	Victoria	Total Aust.
Fish	2527	10000	
Crustaceans	1553	400	
Molluscs	7314	11400	
Total	11394	21800	150937

##### Value of Production (\$A'000)

	Tasmania	Victoria*	Total, Aust.
Fish	3654	15500	
Crustaceans	8385	3000	
Molluscs	14476	11100	
Total	26515	29600	360899*

\*estimates

Source: Archer, 1982

Given the estimates for Victorian landings and value, Macdonald's (1986) estimate of a total catch for the Bass Strait region of between 25,000 and 30,000 tonnes with a total value of approximately \$80,000,000 tonnes is an appropriate measure of the significance of the fishery.

Using Archer's results the fishery of Bass Strait provides approximately twenty two per cent of the production (live weight tonnes) of the Australian industry, and fifteen per cent of the value of production in dollars.

#### 4.3.3 Numbers of Fishermen

The problem of gaining accurate statistics on this aspect of the resource base is emphasised by conflicting results from different information sources. Using state based data is difficult since some of these fishermen, particularly in Tasmania, may not fish in Bass Strait, while others particularly from South Australia or New South Wales may be ignored in Tasmanian or Victorian statistics. Census data may be limited as it may restrict its classification to skippers, and ignore deckhands or crew. A summary of the major data sources follows:

Figure 4.4

Numbers of Fishermen		
	Tasmania	Victoria
Archer Report (1982)	1620	1571
Dept. Sea Fisheries (Tas.) 1984	910a	
	582b	
Census 1981	628	863
(a) State Licences		
(b) Commonwealth Licences		

#### 4.3.4 Characteristics of the Bass Strait Fishing Fleet

The exploitation of fish stocks near, or along, the rocky coastlines within Bass Strait has influenced the characteristics of the fishing fleet. In common with other areas in Australia the Bass Strait fishery

is made up of small vessels, with a majority of boats under 9 metres in length. These boats are operated by small crews, usually owner-skippers and one or two crewmen.

The table comprising Figure 4.5, following, indicates that Tasmania has a higher proportion of vessels under 9 metres in length, perhaps reflecting the significance of the abalone fishery. The abalone boats are small, trailable, outboard powered "runabouts" usually between 5-6 metres in length which operate around the coasts of Bass Strait. The "ab boats" have evolved into efficient working/diving platforms, with a "Shark Cat" twin hulled configuration favoured.

The small number of vessels over 18m. in length in both Tasmania and Victoria reflects the fisheries base on the inner fishing grounds. Very few vessels in either State are equipped for long voyages or extended fishing trips.

Figure 4.5  
Characteristics of the Fishing Fleet

Size (metres)	Tasmania <sup>1</sup>		Victoria	
	n.	%	n	%
<6	240	36.3	258	30.1
6-U9	78	12.5	248	29.0
9-U12	103	16.5	152	17.8
12-U15	110	17.5	102	11.9
15-U18	68	10.9	70	8.2
>18	27	4.3	26	3.0
Total n. boats	626 <sup>2</sup>	-	856 <sup>2</sup>	-

Source: Archer (1982: 179)

Notes:

1. Tasmanian figures include vessels licensed for all waters.
2. Table excludes boats where 3 or more were licensed in the one ownership.

#### 4.3.5 Ports and Infrastructure Provision

The major fishing ports, in terms of home ports for fishermen, and/or the locations of infrastructure services such as processing facilities and maintenance of wharf areas, reflects the pattern of the distribution of the resource stocks.

The major ports are relatively evenly distributed throughout the Strait region. Depending on the resources, the ports may handle several species, or concentrate on the landing of a restricted range of fish - for example Stanley which is basically a crayfish port.

The major ports are:

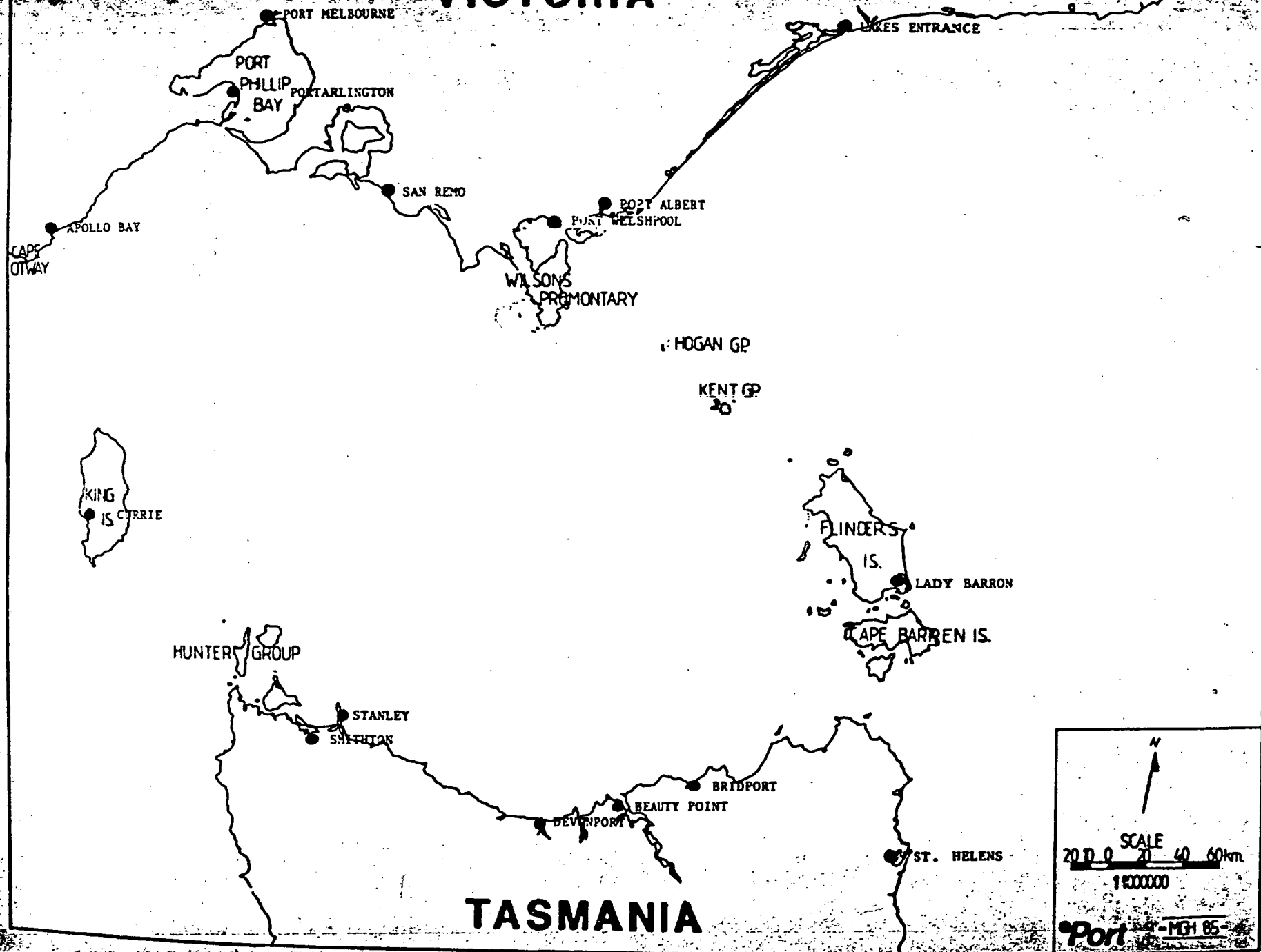
Victoria: Apollo Bay, Portarlington, Port Melbourne, San Remo, Port Albert, Port Welshpool, Lakes Entrance, Mallacoota Inlet.

Tasmania: Smithton, Stanley, Devonport, Beauty Point (Launceston/Tamar), Bridport, St. Helens.

Bass Strait Islands: Currie (King Island, Lady Barron (Flinders Island).

The location of these ports is indicated in Figure 4.6, following.

# FISHING PORTS-BASS STRAIT VICTORIA



#### 4.3.6 Summary of Bass Strait Fishery

The fishery located in and around Bass Strait, while comprising a small part of the Australian catch, is nevertheless a significant contributor to the economy of the region. The economic benefits of the fishery are most apparent in the fishing ports, where processing and infrastructure activities provide additional employment with an important economic multiplier effect. Macdonald's (1986) estimation of the total value of the catch from the Bass Strait region as approximately \$80,000,000 indicates the importance of these fisheries to the regional economy.

The diverse nature of the Bass Strait fisheries, and its reliance on high value mollusc and crustacean species gives the fishery a distinctive character. The vessels used are generally small, below 10 m. in length, and utilise grounds which traditionally have been close to their home ports. Development of trawl and squid fisheries may involve changes in the traditional pattern of fisheries, however infrastructure such as ports is unlikely to change. The distribution of ports and their associated facilities provides ready access to the major resource stocks and reflects the historical dependence on the grounds close to the home port of the fishermen. It is likely that development of existing ports, rather than the creation of new facilities will occur, particularly as trawl resources on the continental slope are exploited. St. Helens on the East Coast of Tasmania may benefit from such upgrading, as it currently supports a major fleet of scallop, rocklobster and shark vessels.

The next section of this chapter moves away from the general survey of the Bass Strait fishery to consider issues surrounding the development and management of the scallop fishery in the Strait. This section provides background to the case study on the introduction of a management regime for the fishery.

#### 4.4 THE BASS STRAIT SCALLOP FISHERY: DEVELOPMENT, THE RESOURCE BASE AND MANAGEMENT

The development of a management regime for Bass Strait scallops illustrates the range of issues facing policy makers when they attempt to develop and implement policy involving diverse and competing interests. The development of the regime was influenced by the external political system, particularly in terms of federal-state relations and jurisdiction. The scallop fishery has specific biological characteristics that complicate management. Management is also affected by the plurality of interests involved and different management practices derived from overlapping responsibility, between and within, the tiers of government.

The importance of the scallop fishery was emphasised in an earlier section of this chapter. It provides a significant income in export earnings and domestic marketing, involving approximately 400 fishermen (Macdonald, 1986), with significant multiplier effects. The fishery in Bass Strait is based on the commercial scallop, Pecten meridionalis/fumata, which is distributed unevenly throughout the region. Most scallops are harvested from beds at depths up to 30 or 40 metres although some beds, particularly in Bass Strait, may be deeper. The major scallop beds in Bass Strait are located off the Furneaux group in

North-east Tasmania, off King Island and the Hunter group in the west, offshore from Lakes Entrance and in Port Phillip Bay in Victoria. Recent discoveries of large beds have been made in Banks Strait between the North-east tip of Tasmania and Cape Barren Island.

The scallop is a bivalve mollusc capable of limited movement through the jetting of water through the opening and closing of the shell. Harvesting of the scallops is undertaken by towing a "dredge" along the sea bed which is then retrieved into the scallop boat by an electric or petrol driven winch. Dredging is the main means of catching scallop, with small quantities being taken by diving. Diving is restricted by depths at which the scallops are found, and the increased "effort" needed to gain an economic catch. Commercial diving is limited to a small area around Jervis Bay on the south coast of New South Wales, although some recreational diving does take place elsewhere. Dredging has been criticised for causing unnecessary damage to the scallop beds, crushing mature fish and destroying juveniles. Dredging is however the most economic fishing method. Controls on the type and size of dredges are an important management strategy and occur in both Tasmania and Victoria, although there is no uniformity in these controls.

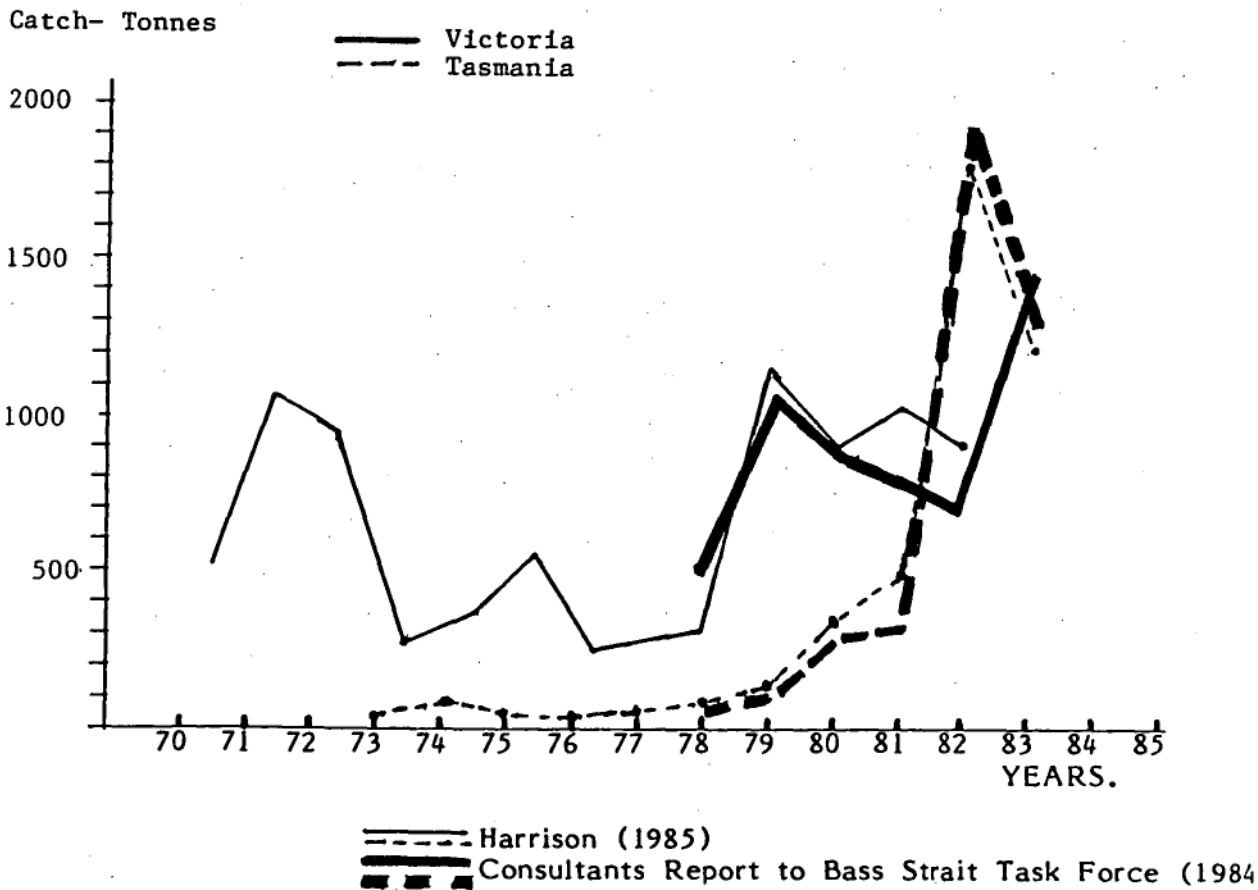
Recruitment to scallop beds is related to the success of the "spatfall" which occurs each season. After fertilisation the scallop larvae known as veligers, have a planktonic phase for up to 30 days depending on the scallop species. The free floating veligers then undergo a change in structure and seek a suitable settlement site. This metamorphosis from veliger to immature scallop or "spat" is known as spatfall. Since the larvae is mobile, recruitment to existing beds can



take place at great distances from the site of spawning. This provides considerable problems for fisheries managers who wish to estimate rate of recruitment. Research has indicated that the spatfall varies from year to year, which underpins the boom/bust character of scallop production and contributes to the observed cyclic pattern of catch.

The fluctuations in scallop stocks have been identified by a number of studies, the most recent being that of Harrison (1985). Harrison provides catch data for both Tasmania and Victoria for the period 1970-1983, which illustrates the cycle of catch. This data is graphed in Figure 4.7, following.

FIGURE 4:7  
SCALLOP CATCH BASS STRAIT



The Victoria catch illustrates a more random pattern, typical of the fluctuating level of catch observed in the industry, while Tasmanian fishermen continued to land increasing catches until 1982 when a severe decline occurred. An explanation of this pattern in the Tasmanian fishery is that newer beds became utilised, and areas were fished more intensively. Harrison's data is generally replicated in other studies, (see graph), although minor variations in data have also been observed.

The implications of this variation in scallop harvest will be considered in the case study. The variation in scallop catch affect management of the resource by influencing the pattern of interest group interaction and institutional decision making responses. Declining stocks with continued high levels of effort may force a reappraisal of management strategies, as pressure from resource users concerned with declining returns increases. Pressure on governments and management agencies will be higher in periods of low catches than when the fishery is in a boom phase.

Early in the study attention was drawn to the problems of developing policy where responsibility was shared, overlapped between different tiers of government. While marine resources policy is seen as being constrained by these factors, the issue of scallop management emphasises specific problems that this overlap may create. Tasmania and Victoria utilise different management strategies for the regulation of the scallop fishery. The different management philosophies and histories have led to problems in gaining agreement at government level over the introduction of a management regime for the Bass Strait fishery, and has increased tensions between resource users of the two States.

Differences in licencing or endorsement procedures and variations in gear and catch restrictions between Tasmania and Victoria were seen by fishermen as major issues although their importance was down played by resource managers.

#### 4.4.1 Licencing and Operation of the Scallop Fishery

Tasmania operates an open entry fishery for scallops, where fishermen are able to enter and leave the fishery relatively easily. If they are not fishing for scallops they are able, with correct licence endorsements, to undertake other forms of fishing. Many Tasmanian fishermen enter the scallop fishery in boom periods to supplement earnings from other fisheries. The rationale behind this management philosophy is that in periods of small catches the low yields will deter fishermen from continuing in the fishery, and they will switch to other stocks. In good years the number of boats will increase, however the increased catch will be able to support them. This scheme has some problems; the fishermen who remain scalloping during a downturn will not return economic catches, and the scheme may create a "part-time fleet" which provides problems in management of the resource.

Victoria manages its scallop fishery according to a strict limited entry criteria. Limited entry was initially seen as a means of controlling resource exploitation by limiting the number of fishermen with access to a particular fishery. Australia was one of the first countries to adopt limited entry criteria for an extensive range of fisheries (Harrison, 1985), and the limited entry system is now found in all States and in a range of fisheries. Victoria manages all its fisheries according to this principle. Limited entry, while being

successful initially in controlling resource exploitation, fails by itself to restrict overfishing unless linked to some controls on fishing effort (Harrison, 1985; Kirby, 1982). As technology develops and techniques improve, the same number of fishermen can increase their effort to dangerous levels, resulting in over exploitation of the resource.

In the Victorian scallop fishery the number of licences are restricted and are either endorsed for Bass Strait or Port Phillip Bay. The Bay licences number 23, and the open water/Bass Strait endorsements number 34. A number (56) of dual licences are available. The Victorian fisheries management agencies argue that resource stocks are conserved by limiting the number of vessels involved. Additional supporting features for limited entry are that it enables fishermen to gain small returns in poor years which are offset by large returns in periods of good catches. One unintentional feature of a limited entry fishery is that the licence increases in value as the period of restricted entry lengthens. The licence increases its transfer value, sometimes to hundreds of thousands of dollars, which may lead to inequity among fishermen.

The differences between the Tasmanian and Victorian scallop management provide a source of potential conflict between resource managers and resource users from each State. It is unusual to observe what can be viewed as opposing management techniques operating within the same region or, more particularly, in what is the same fishery (Harrison 1985). The emergence of these different approaches to resource management has occurred as each State developed strategies for

managing the fisheries resources within the limits of its jurisdictional competence. This competence was first limited in the 1950s with the enactment of the Australian Fisheries Act (1952)-Cth, although as the Bass Strait scallop fishery developed in the period 1964-1980 the limits of each states jurisdiction were set at three miles from Low water mark. The attempt to develop a regime for the scallop fishery of Bass Strait coincided with the attempts to implement the OCS fisheries package, described in a preceding chapter. The scallop fishery was seen as a major fishery that would benefit from administration under a single law, reducing intergovernmental conflicts between States and the Commonwealth in the management of the fishery. The attempts to develop a single fishery in the region raised problems of inter-state relations, neither State would forego the administration of the fishery. The following section comprises a narrative case study of the developments leading to the implementation of the Bass Strait scallop management regime. This case study will be analysed in Part B of this chapter.

#### 4:5 INTRODUCTION OF A MANAGEMENT REGIME FOR THE BASS STRAIT SCALLOP FISHERY

Case studies can either be descriptive or analytical (Richardson 1982). The former attempt to provide insights into the development of public policy through the description of the emergence processing and implementation of a particular issue or policy. The latter approach examines the development of particular policies by utilising some form of analytical framework. The analytical approach adopted in this study allows the interaction between different policy actors, contained in the empirical data, to be examined in terms of its influence on both the policy process and output.

The scallop fishery in Australia developed in the early years of the twentieth century, exploiting beds discovered in the Derwent estuary near Hobart. The fishery moved to larger beds in the D'Entrecasteaux Channel area south of Hobart as a result of the over exploitation of these initial discoveries. Fishing effort in the "Channel" was initially limited by technological restrictions and the introduction of some regulations over gear that could be used.

Increased application of technology, particularly the introduction of the internal combustion engine and mechanised winching gear increased the level of effort and, in the short term, the level of catch. The high level of exploitation resulted in the depletion of the D'Entrecasteaux Channel beds. In the 1950s attempts were made to limit catches in this area, and to restrict overfishing, however these efforts failed due to industry resistance.

As the D'Entrecasteaux Channel beds were declining fishermen discovered scallop beds off the east coast of Tasmania and in Norfolk Bay, South East Tasmania. Pressure on the resource stocks eased somewhat in the 1950s with a dispersal of fishing effort onto other beds. This characteristic pattern of movement from old beds to new beds has continued until the present.

In the late 1950s surveys of Port Phillip Bay indicated the presence of scallops, and although the catch was large by present standards, little seems to have been done to encourage the establishment of a local fishery. The Port Phillip bay beds were exploited by Tasmanian fishermen in 1963. This date marks the beginnings of the Victorian scallop fishery, a local scallop fleet soon became established, with purpose built craft being launched.

In June 1970 a Victorian fishermen discovered extensive scallop beds off Lakes Entrance, Gippsland, and by December of that year 68 vessels were working these beds. This discovery gave the Victorian fishery its characteristic "Bay" and "open water" structure which became reinforced by licence categories. The differences in licensing created tensions which exploded in 1985 as pressure on Lakes Entrance stocks increased and these fishermen attempted to fish in the "Bay".

In 1972 the Tasmanian Fisheries Division, Department of Agriculture, undertook a large scale survey of Bass Strait and discovered extensive scallop beds off the north coast of Tasmania. Tasmanian scallop fishermen started exploiting these beds in 1973.

The period 1972-1980 is characterised by a gradual increase in catches from Tasmanian fishermen, with a more characteristic variation in catch experienced by Victorian fishermen, (see Figure 4:7). The Tasmanian fishermen were able to reduce the effects of periodic slumps in catches by moving onto new beds discovered late in the 1970s.

By the early 1980s Tasmanian fishermen had experienced almost a fourfold increase in catch. This amounted to a peak of 1750 t. in 1982 (Harrison 1985), while the Victorian catch from Bass Strait beds peaked at 1248 t. in 1979 (Harrison 1985). These catches attracted a large fleet from both Tasmanian and Victorian ports, fishing what became known as the "deep water beds" (Pontin and Millington 1985). Prior to this period some concern had arisen over the different licensing procedures between the States of Tasmania and Victoria. Such differences, detailed previously, became more visible when the fleet from both states worked common beds, the deep water beds in Commonwealth "proclaimed" waters outside the three mile State baseline.

Tasmanian fishermen claimed that their Victorian counterparts used larger dredges, which incorporated features prohibited on Tasmanian vessels. Since dredge width has a functional relationship to the size of catch, these differences, although disregarded as being significant by fisheries administrators, were a focus of industry discontent. The Tasmanian fishermen were unhappy with the lack of a size limit on scallops landed by Victorian boats and the practice of "soaking" scallops in fresh water to increase their size and weight common on Victorian vessels.

The development of deep water beds in areas clearly under Commonwealth control increased the role of the Commonwealth in scallop fishery management. The Commonwealth Government's role increased as the issues surrounding scallop management became more complex.

In 1981 the creation of the Allied Fisheries company acted as a catalyst for discontent, particularly among the Tasmanian scallop fishery. Allied attempted to integrate all sectors of the scallop fishery into one operation. Previously the catch, processing and marketing sectors acted independently and at times lacked co-ordination. While Allied Fisheries' ideals may have been sound and their concept a valid one and one that would, in the company's words, revolutionise the fishery, the unpredictable nature of the scallop catch became an important factor in Allied's eventual demise.

Allied Fisheries operated through the creation of syndicates which brought vessels which, in turn, were licenced to catch scallops. The syndicates were made up of investors who were attracted by the promises of large returns on initial investments. This return was much larger



than fisheries managers could consider appropriate for a stable fishery, let alone one that was characterised by a widely fluctuating level of catch. Many of the Allied syndicates were financed by professional or business interest as taxation concessions. The company's use of taxation "loopholes" was highlighted by their dependence on primary production tax incentives. These incentives required vessels to be commissioned and be operational within a specific date, in a much publicised episode an Allied vessel purchased its "catch" from other fishermen in order to fulfill the criteria for the tax incentives.

Apart from the problems of relying on a fluctuating resource stock, the Allied operation was questioned by administrators who were suspicious that none of the the Allied principals had any fisheries experience, let alone experience in the scallop fishery. The Allied operation became somewhat of a "cause celebre" in the Bass Strait fishing industry. After the company's operations became publicised, questions were raised in both State and Commonwealth parliaments about the company. Investigations by corporate affairs officers found evidence of the dependence on taxation benefits to return syndicate investments.

The Allied Fisheries attempt to revolutionise the scallop fishery was short lived. The allocation of licences to the company became a contentious point with Tasmanian fishermen who claimed that Allied received preferential treatment. Given the existing licencing policy in Tasmania, Allied had every right to ask for endorsements once it had vessels built. In Victoria, given the different policy on licences, Allied gained scallop licences by purchasing vessels, sometimes transferring the licences to new boats.

In 1981-82 the catch from the Lakes Entrance beds began to decline, which forced more and more Victorian boats further south into Bass Strait. The activities of Allied and the increased visibility of the Victorian fleet led to increased agitation by Tasmanian fishermen for greater control over "traditional grounds". This pressure led the TFDA to approach the Commonwealth DPI over a claim to manage the Scallop fishery south of latitude 39°12'.

In early 1982 the TFDA circularised management options for the Tasmanian fishery to all fishermen. This discussion paper was examined at a meeting of the Tasmanian Scallop Liaison Committee, (SLC), which was an industry-TFDA advisory and consultative body. The SLC pressed for a moratorium on the allocation of Tasmanian licences, citing the increased activity of Allied Fisheries as a cause for concern.

In June 1982 the first elements of dissention in the scallop fishery surfaced. The Council of the Professional Fishermen's Association of Tasmania, (PFAT) passed a resolution opposing limitations on scallop licenses unless "proven biological changes to species, or if any danger of the species being over exploited occurred". It was precisely these factors that had prompted the industry members of the SLC to push for the moratorium.

The confusion in Tasmania was enhanced in July when the Scallop Branch of the PFAT, (members of the PFAT who were chiefly scallop fishermen) wrote to the newly elected State government Minister requesting a freeze on further scallop licences. Interestingly the scallop Branch of the PFAT contained several people from the PFAT Council which had earlier recommended a removal of the earlier moratorium on scallop licence allocation.

In September 1982 the Tasmanian and Victorian governments agreed in principle to shared management of the Bass Strait scallop fishery. Tasmania claimed that until the OCS was implemented, this agreement could not be acted upon.

The SLC in Tasmania recommended the lifting of the moratorium on licenses in January 1983, claiming that it was disadvantaging Tasmanian fishermen. At the same time the OCS fisheries package was proclaimed, but before it could be implemented the Fraser Liberal government was defeated in an snap election. The newly elected Commonwealth Labor government rejected Tasmania's argument for a line of demarcation along latitude 39° 12' S.

The impact of declining scallop catches became evident in mid 1983. The Commonwealth, Tasmanian and Victorian governments became concerned over the large number of vessels with scallop licenses, and agreed to the introduction of an "Interim Management Regime". This regime was based on limited entry criteria and was aimed at conserving resource stocks while a longer term proposal could be developed.

Fishing industry consultative groups were also involved in the development of the Interim Management Regime. Tasmanian fishermen asked the Interim Fishing Industry Consultative Panel, (IFICP), which had replaced the defunct Australain Fishing Industry Council, (AFIC), to investigate the management of the Bass Strait scallop fishery. The IFICP meeting, convened in September 1983, agreed to the Interim Management Regime.

Late in 1983 Allied Fisheries collapsed, with the Commonwealth Minister issuing warnings about the company in parliament. Media

investigations of the Allied operation led to disclosures of the shaky foundations of the company and the links between the principals of Allied and other collapsed investment proposals.

In Tasmania the TFDA was under attack from fishing interest groups chiefly due to its "mismanagement of the scallop fishery". The Tasmanian Minister for Sea Fisheries, Mr. Beswick, defended the TFDA, claiming that it had acted in the best interests of local fishermen. Disagreement and internal conflict marked the scallop fishing interests' involvement in Tasmania. The different groups could not agree over the Interim Management Regime or the question of Tasmanian management in Bass Strait. This disagreement was cited as one reason why the Tasmanian Minister agreed to the introduction of the Interim Regime. The Minister noted that this should be regarded as an interim proposal and be replaced by a State based regime in the near future.

The announcement of the interim regime was made in a joint statement by the Tasmanian, Victorian and Commonwealth Ministers responsible for sea fisheries on 15th November 1983. Access to Bass Strait beds was restricted to those fishermen who had fished the area between January and November 1983. The SLC in Tasmania supported the introduction of the regime and nominated a representative for the Licence Appeals Committee.

The PFAT meanwhile had voiced opposition to the regime, claiming it had sold out Tasmanian fishermen. The PFAT raised the issue of Allied Fisheries and claimed that the TFDA had given them favourable treatment. The PFAT later announced that it failed to recognise the interim regime. To complicate matters further the PFAT created a "special committee" to look at the problems of Bass Strait scallop management.

Given the differences in viewpoints between the different fisheries groups in Tasmania, it is not surprising that the final regime took so long to negotiate.

Continuing discontent with the performance of the TFDA was fuelled by claims of corruption and graft in the Authority's operation. A vote of no confidence in the TFDA was passed by the PFAT. Under pressure from industry and following claims made by the Opposition in parliament over the illegalities and low morale within the TFDA, the government announced a review of the operation of the Authority.

The details of the Interim Management Regime were announced in April 1984, and were to take place from the 23rd April. Prior to the implementation of the regime a public meeting was held in Hobart at which fishing interest aired grievances over the scallop fishery, Allied and the TFDA. The Minister addressed the meeting and criticised the industry for its inability to provide consistent and coherent advice to policy makers and negotiators.

In June 1984 the Commonwealth DPI set up the Bass Strait Scallop Task Force. The Task Force provided a forum through which opinion from major interests could be heard and the influence of a range of variables examined. The Task Force worked quickly and produced a Discussion Paper on the Bass Strait Fishery in September 1984 (reproduced in Appendix 1:3). The inclusion of fishermen's representatives in the Task Force enabled all sectors of the fishery to contribute to the formulation of policy.

The release of the Discussion Paper enabled the Task Force to hear

submissions and visit ports to solicit views on the management of the fishery. These views were to form an important part of the Management Regime discussed in late 1984 and 1985.

In November the Interim Management Regime was extended until "at least mid 1985" by the DPI. The PFAT announced that it had given its representatives a blank cheque to negotiate the best deal for Tasmanian fishermen in the development of the final management regime.

In January 1985 the Australian Fisheries Conference recommended the setting up of the National Fishing Industry Council, (NFIC), replacing the IFICP who had sponsored and organised the Conference. Scallop management was discussed at the Conference although the major theme was concerned with improving the relationships between fishing industry groups and government resource managers.

A further splintering of the Tasmanian fishing industry organisations took place in February 1985, with the creation of the Rock Lobster Fishermen's Association. While this group's activities were peripheral to scallop management the TFDA was criticised for its neglect of other fisheries during its attempts to handle the controversy over scallop management. Later the Rock Lobster group pushed for access to scallop licenses as an "off-season fishery".

The TFDA was replaced by the Department of Sea Fisheries, (DSF), in February 1985, following the announcement that the government was to implement the recommendations of the review of the TFDA, released in late 1984. The Review, (O'Kelly 1984), was critical of many aspects of the Authority's operation and recommended its disbanding and replacement

with a Department of Sea Fisheries. A new director of the DSF, Mr. M. Wilson was appointed and announced his intention to improve relations with industry bodies.

The DPI sent out a letter to all Bass Strait scallop fishermen in April 1985 informing them of developments in the management of the fishery. The letter announced the proposal for the development of a draft management plan based on the individual transferable quotas (ITQs) by the DPI's Australian Fisheries Service. This plan would be circulated for comment and would form the basis for later discussion with the States.

The Victorian fishery, which had generally avoided the heated discussion and conflict experienced in Tasmania between 1983 and 1985, erupted in mid 1985. With declining catches from the Bass Strait beds the Lakes Entrance fishermen pushed for access to the beds of Port Phillip bay, closed to them through limitations on their licenses. Vessels attempted to fish these waters and were impounded by FWS officers. Port Phillip Bay fishermen, greatly restricted by bag limits and other controls, were critical of the actions of the Lakes Entrance fishermen. The Lakes Entrance protest received coverage on the national electronic and print media.

The management of the Bass Strait scallop fishery was discussed at the Australian Fisheries Council, (AFC), meeting in Darwin in July 1985. Agreement was reached over a zoning regime in the Strait, based on 20 mile zones from the Tasmanian and Victorian coastlines. A central zone between the two State zones was to be initially managed by the Commonwealth and then handed back to the States to jointly manage . This

arrangement was facilitated by the announcement that the Hawke government was to implement the OCS fisheries package.

The ratification and implementation of the Management Regime was complicated by the development of the "Banks Strait scallop war". This "war" was "declared" in the Tasmanian media after the discovery of rich scallop beds in Banks Strait, separating North East Tasmania from the Furneaux Group, were threatened by Victorian fishermen. The beds were outside the three mile baseline proclaimed under the OCS, but inside the 20 mile Tasmanian zone. Tasmanian fishermen claimed an ammarda of Victorian vessels were steaming southwards to the beds, a claim that did not eventuate, although some individual Victorian vessels did fish the area.

The Tasmanian Minister pressed the Commonwealth to close the Banks Strait beds, pending implementation of the new Management Regime. The Commonwealth Minister agreed to the closure to enable a survey of stocks to be undertaken. The closure was extended due to bad weather restricting this survey and part of the Banks Strait area was opened for fishing in October 1985.

The Tasmanian scallop fishermen, who had earlier pressed for the removal of the Interim Regime, now pressured for the rapid implementation of the Management Regime. Under the zoning regime Victorian vessels would be unable to fish in the beds as the area would be under Tasmanian jurisdiction. A meeting of Tasmanian fishermen was called in Launceston to discuss the future of the fishery. This meeting of scallop fishermen ended in uproar when a Tasmanian representative on the Task Force, John Hammond, criticised his fellow fishermen, claiming



that they did not understand the complexity of the political aspects of the scallop fishery management. Hammond walked out of the meeting called to discuss the impact of the new regime, claiming that continued talk of a sole Tasmanian fishery in the Strait was pointless as it was impossible to obtain.

As a result of this meeting a Stanley fisherman, Mr. F. Hursey, claimed that much of the problems in the Tasmanian scallop fishery were caused by an ignorance of the role of the Commonwealth in the management of the fishery. He called for greater emphasis on the role of the Commonwealth legislation and the AFS. The Task Force representatives had become very aware of these issues and were obviously frustrated that their fellow fishermen were critical of their actions.

The Banks Strait war ended with the limited opening of the beds, and a self imposed bag limit by Tasmanian fishermen. Not surprisingly, these fishermen claimed that the Victorians fishing these beds were not party to this unofficial agreement. Reports of scallops rotting on Melbourne wharves due to a shortage of processing facilities in Victoria was publicised by Tasmanian media.

Prior to Christmas the Tasmanian Department of Sea Fisheries (DSF) released a draft management plan the scallop fishery in Tasmanian waters. This plan addressed alternative options available for the long term management of the fishery and recommended the introduction of "catch quotas". These quotas, known as Individual Transferable Quotas (ITQ's), are a strategy of resource management that allocates a total allowable catch and divides this total among the number of fishermen

within the fishery. Since the quota allocation can be transferred if the fisherman does not undertake to catch his full quota the maximum return from the fishery can be maintained. A key factor in the ITQ system is being able to accurately assess the total allowable catch, or at least being able to predict a total catch that can safely be exploited without damaging the resource stocks for future years.

The DSF considered the management of the scallop fishery to be undertaken through either the introduction of bag limits, a zoning system based on endorsements for different areas or the introduction of the ITQ system. The management plan had been discussed with the Scallop Liaison Committee with the recommendation that the ITQ system be applied. The quota allocated to a vessel would relate to the past fishing commitment and current licence endorsements. To qualify for a quota the owner of the vessel must have been licensed to catch scallops in the area of the management plan, (all waters except the D'Entrecasteaux Channel) in 1985, and have landed scallops in any period between 1975 and 1985. The size of the quota related to "units" allocated according to "commitment", "participation" and "performance" criteria. Each of these criteria gave a certain number of units, or points, with a maximum of 250 points available.

The development of this Management Plan for the Tasmanian Zone of the Bass Strait scallop regime was linked to the agreement made in July 1985 where the Commonwealth had to approve the management systems in each of the extended zones prior to the regime's implementation. In Victoria the limited entry system and a restriction between "bay" and "open water" licences was to be maintained. Tasmania's system of

multiple endorsements had led to a large number of vessels having scallop licences. Fisheries managers were concerned that with such a large fleet levels of resource exploitation needed to be controlled if the fishery was able to survive the characteristic fluctuations in catches. Although the Tasmanian Plan opposed "bag limits" as less satisfactory option than the introduction of quotas, the former was eventually adopted after fishermen opposed the ITQ proposal.

The summer closure of the Bass Strait scallop season was announced on Boxing Day by the Commonwealth Minister for Primary Industry. The closure to remain in force until discussions were held with the States to determine the most appropriate date for the reopening of the Bass Strait beds.

Problems in the Victorian fishery continued to receive political and media attention. Following the impoundment of Lakes Entrance vessels after they attempted to fish in Port Phillip Bay in contravention of their licences, the Lakes Entrance fishermen continued to agitate for access to the Port Phillip Bay fishery. The fishermen claimed that they were unable to meet financial commitments due to the downturn in the catches from the beds in Bass Strait. In April 1986 the Victorian (Liberal Party) Opposition claimed that the State government should provide financial assistance to the Lakes Entrance fishermen during the current downturn in the catch. The decline of the beds adjacent to Lakes Entrance had encouraged some of these Victorian vessels to fish in the Banks Strait area during the "scallop war" in October of the previous year.

The opening of the scallop season on May 12 (in Tasmanian waters) was announced by the recently appointed Minister for Sea Fisheries, Mr.

Ray Groom in mid April. Groom, a former Minister in the Fraser Federal government and more recently advisor to the Premier of Tasmania, was appointed to the position following the re-election of the Gray government in February 1986. The announcement of the opening of the scallop fishery also indicated that the D'Entrecasteaux Channel and Norfolk and Storm Bays would remain closed. Negotiations were continuing, according to the Minister, between the Tasmanian, Victorian and Commonwealth governments over the implementation of the Management Regime.

Following a week after the announcement of the opening of the Tasmanian waters, (at this stage not including the extended jurisdiction proposed under the scallop regime), the Commonwealth Minister announced that the Bass Strait beds would remain closed until a decision had been reached regarding the OCS agreement and the management of the scallop fishery. Mr. Kerin, the Commonwealth Minister for Primary Industry, expected this decision in mid May, with beds likely to be opened soon after the agreement had been ratified. The Tasmanian Minister announced that as a result the opening of the scallop fishery would be postponed a month.

The following month marked a period of intense industry and government interaction particularly in Tasmania. The Tasmanian Scallop Fishermens Association (TSFA), which had emerged as the major industry group at this stage of negotiations, supported the Tasmanian government decision to postpone the opening of the scallop season until June. This decision was made following surveys of the Banks Strait beds, and the continuing negotiations over the implementation of the management

Regime. Extending the closure would increase the size of the scallops and increase the possibility of the political settlement over the management of scallop when the Regime would be ratified.

The introduction of a bag limit as the major restriction on the fishery was opposed by the operators of larger vessels. The bag limit, linked to the length of the vessel and limited to a maximum of 140 bags, arose out of the failure of the ITQ plan to gain endorsement from the Tasmanian government. John Hammond, (a Flinders Island fisherman), criticised the bag limit stating in the media that "it wouldn't matter whether you had the Queen Mary out there, you would still be limited to 140 bags per trip". Hammond claimed that the bag limit unfairly penalised the larger vessels which had higher operating costs by reducing the return per trip.

This criticism of the bag limit was rejected by the head of the scallop commodity group of the Tasmanian Fishing Industry Council, (TFIC), Mr. Bob Lowth. Lowth was also president of the TSFA which had supported the Ministers decision regarding the bag limit. Lowth claimed that the introduction of the bag limit was a way of giving the fishery some stability, and viewed the opponents of the bag limit, the owner/operators of larger vessels, as a "minority group" who were "out of step" with the majority of scallop fishermen. The TSFA continued to meet concerning the management of the scallop fishery, with discussion chiefly centred around the imposition of a "trip limit", the number of trips a fisherman could make to the Banks Strait beds in one week.

The Tasmanian Minister for Fisheries, (Mr. Ray Groom), announced that Tasmanian control over the extended scallop fishing zone was

expected to be finalised by the time the scallop season was to be open, that was by June 12 1986. In the announcement the Minister also stated that restrictions and regulations would only apply for the 1986 season, as a detailed assessment of management options was to be undertaken in this interim period. In announcing the bag limit as the major restriction on the catch, Mr Groom rejected industry calls for the imposition of trip limits. The Minister said existing license holders would be eligible to fish in the zone when it was proclaimed, however he stressed that there would be no need to fish to protect an entitlement for future years. This latter announcement was aimed at reducing the number of vessels to those committed to the fishery at the current time, yet not preventing those who did not fish from gaining future endorsements.

In late May the Tasmanian media announced "a reluctant agreement" between scallop fishermen over the introduction of voluntary trip limits. The government had not implemented the TSFA initiative of trip restrictions, possibly because it was not universally accepted through the industry. The TSFA had originally proposed one trip per week, with the compromise alluded by the media concerning the introduction a voluntary two trips per week restriction. The TSFA emphasised the "gentleman's agreement" nature of the compromise, admitting that they were powerless to enforce the limit, and were relying on their members to accept the limit. As the government would not act on this initiative, the TSFA emphasised its commitment to the conservation of the fishery, and advertised its position in the media. As part of this, the TSFA published a definition of the "scallop week", two trips were to be undertaken with the "first landings being taken between Sunday AM and the last landings no later than Sunday PM" (sic.).

The Bass Strait Scallop Management Regime was implemented, as foreshadowed, in early June 1986. The implementation of the regime was announced by a joint statement from the Commonwealth, Tasmanian and Victorian Ministers responsible for fisheries. This statement announced the regime as the first stage of the gradual implementation of the fisheries package of the OCS as it applied to specific fisheries or regions. The announcement made on the 6th June enabled the scallop season to open as planned in the middle of the month.

As the scallop season opened the issue of licences and endorsements for the extended Tasmanian zone emerged. Applications for endorsements had to be made to work the Banks Strait beds; an area which was to be the focus of the fishery in the 1986 season, given the abundant fish available. Fishermen who had not gained the appropriate endorsements before leaving port were warned they risked losing their catch and other penalties by fisheries patrol officers, policing the opening of the season in the zone of extended jurisdiction. As a result some vessels chose to remain in port. The TSFA called the licencing problem a "storm in a teacup" stating that given the number of vessels wishing to fish the area delays in processing the licenses were inevitable.

The Banks Strait beds provided good catches and the season was forecast as being the best ever, with fishermen and processors geared to handle an increased volume of shellfish. The opening of the season was accompanied by an almost jingoistic fervour in the Tasmanian media. "They're ours" was one notable headline in a continuation of the "jingoism" of the scallop "war" of October 1985. The media detailed the TSFA as the major industry group, stressing the good relations the

Association had developed with the Department of Sea Fisheries and the Minister for Sea Fisheries.

The opening of the season and the potential of greatly improved catches and returns for the fishery provided the fisheries managers with one more problem. Sales or transfers of scallop licences were frozen to "stop profiteering through the sale of recently granted licences", that was those endorsements granted to fish in the Banks Strait area. The Minister announced that all applications for licence transfer were to be referred to a licence review panel. The large number of endorsements held by Tasmanian fishermen, and the ready access to scallop licences under the open entry, multiple endorsement system in the State had concerned fisheries managers from both the Commonwealth and Victoria as well as in Tasmania. This issue was one that was obviously going to provide an important focus for the future management of the Tasmanian fishery. The problems of an increased abundance of the resource stocks artificially inflating the value of the licence were apparent in the freezing of license sales. Given the widely published aim of the Tasmanian Department of Sea Fisheries and the Minister to reduce the number of Tasmanian scallop licences, and reduce the number of vessels operating in a fishery characterised by fluctuating catches, it is possible that the next "round" of interaction between the resource user groups and the administrators would concern this issue.

The development of a comprehensive management plan for the Tasmanian scallop fishery was begun in July 1986. The development of a management plan was announced by the Minister who reiterated the importance of consultation between the resource users and the government



in the development of the proposed plan. This plan was to provide long term management of the fishery, replacing the restrictions in place for the 1986 season.

The implementation of the Management Regime for the Bass Strait scallop fishery provided a zoning system, based on twenty mile baselines, under the provisions of the OCS agreement first discussed nearly a decade previously. The Victorian zone was to be managed according to the limited entry principles of the scallop fishery under that states jurisdiction, the Tasmanian zone under the interim regulations comprising officially enforced bag limits and industry initiated voluntary trip limits. The "central zone" between these State zones was to be handed from the Commonwealth to the States of Tasmania and Victoria to jointly manage once agreement was reached between the States.

Indications in late July 1986 were that this agreement was unlikely to be easily reached, emphasising once again the importance and influence of "offshore federalism" on the development of fishery policy. Where jurisdictions overlay, inter-governmental conflicts over management issues, the policy process and even policy output are difficult to resolve within existing institutional structures. When, as this narrative has shown, interaction also involves interest groups it is not surprising that the issues take a considerably long period to resolve. The following sections provide an analysis of the interaction over the issues of scallop management, applying the framework developed in Chapter Two to the empirical data.

## PART B

### ACTORS, INTERACTION AND ISSUES

#### 4:6      APPLYING THE ISSUE COMMUNITY MODEL TO THE BASS STRAIT SCALLOP MANAGEMENT REGIME

The development and implementation of the Bass Strait Scallop Management Regime, in response to issues which emerged concerning the management of the fishery, provides an empirical base from which to analyse the development of a particular aspect of marine resources policy, that of the impact of the interaction between different actors on outcomes, and on the development of specific structures to facilitate this interaction. This analysis incorporates two, related, sections. The first concerns the identification of what may be termed the "scallop fishery" issue community and the second the analysis of the extent and influence of interaction within this community during different phases of the policy process.

The identification of a particular issue community is both relatively easy, and yet at the same time complicated by the fluid nature of interest group dynamics and the variability of institutional responses to group pressures. Grant Jordan provides an evocative, if not inaccurate, description of the "elastic nets" (1981) of the interaction process. The issue community was seen by Richardson and Jordan (1979) to comprise the institutions and groups that were closely involved with specific policy areas and which interacted together to develop policy through the "operating understandings" (1979:100) within the policy process.

The delimitation of such communities is complicated by definitional problems associated with the use of the terms issue and policy interchangeably in describing such communities (see Chapter Two). Jordan (1981) professes an unhappiness with the term policy community arguing that it should be used to describe the range of groups that could (as opposed to those that do) interact with institutional actors. Sharpe (1985) describes such an issue community as comprising actors as the Ministers and the central institutions, subsidiary departments, interest/pressure groups and other actors including the media and politicians. As is clear from Chapter Two, Sharpe's definition of such a community can be readily adapted to the particular complexity of policy making in the overlaying jurisdictions of the Australian federal system, (see Chapter Three). Sharpe states that through the separation into a two [or three] tiered federal system of "government- in effect [leading to] the absence of a 'centre'... provides especially advantageous conditions and incentives for policy networks to flourish" (1985:373).

The interaction between members of what can be termed the scallop-fishery issue community, (comprising, from the analysis undertaken in Chapter Two, the institutional bodies responsible for developing and implementing scallop fishery policy and the major resource user groups) takes place within the broad parameters, defined loosely, of the policy process. This process was briefly analysed in Chapter Two, where the policy process was seen to comprise three phases. These phases correspond to the emergence and processing of issues and the implementation of policy.

The final section of the chapter provides a summary of the impact of interaction between the members of the issue community on the development of scallop policy. This allows the development of some preliminary conclusions regarding the validity of the hypothesis; that the failure of existing structures to adequately involve the non institutional members of the issue community in the process of policy formulation fosters the creation of structures that incorporate the major non-institutional actors.

#### 4:6:1 The Scallop Management Issue Community

The narrative has highlighted the multiplicity of actors, both institutional and non-institutional, involved in interaction over issues arising out of the development of a management regime for the scallop fishery in Bass Strait. Although the narrative has, through its focus on the the interaction between interest groups and institutional actors, identified an extensive issue community, it is reasonable to expect to find that there were actors, both institutional and interest groups, that did not appear within the narrative, yet that had an interest or concern over issues raised during the period the scallop management was an item on the issue agenda. These less visible actors include those interest groups on the fringe of the issues of scallop management, for example the organisations representing the scallop processors or the fishermen's groups that were forced into the arena to as a result of the widening of the scallop conflict. As the issues broadened in scope these "fringe" groups sought to protect their interests that were, (in the main), secondary to the main issue. A good example of such a group is

the Tasmanian Rock Lobster Fisherman's Association which sought access to scallop licenses for its members to enable them to undertake an "off-season" fishery following the closure of the rock lobster season.

There have been a number of arguments developed in the literature to explain the variations in the level and extent of interest group interaction. It is claimed that groups with well defined links with the major institutional actors, for example the department's recognised client groups, may not wish to risk losing this status by entering the more public domain restricted to the "outsiders" (Schattschneider 1960, Richardson and Jordan 1979). A second reason for this pattern of involvement may reflect on the nature of issues (see Chapter Two), where there may well be confusion within the community over what is at issue. (Schattschneider 1960, Stringer and Richardson 1980). This confusion may be alleviated through an increase in the "scope" of the interaction occurring as the issue becomes more "visible", increasing the "intensity" of interest group involvement (Schattschneider 1957). A final explanation relates to the dynamic nature of the interest group organisation, groups may wax and wane depending on their successes or impact in the issue community. The interest group is dependent on a range of variables both internal, and external. Internal variables include leadership and the organisation of the group's membership to less tangible factors such as political aptitude and linkages within the other members of the community. External variables include the perceived legitimacy of the group, the representativeness of its opinion and other factors such as its "behaviour" in the public arena, or to a lesser degree in the private domain of the policy process, for its

ability to influence the processing of issues and, through this, the development of policy.

In analysing and delimiting a particular issue community one is drawn to Church's observations on resource tax policy (1985). These issues are more fully explored in the following chapter, (Chapter Five), however the problems identified by Church are worth considering. Church, commenting on the problems of making observations on policy, states that making such observations

is akin to characterising a photograph - it represents an instantaneous freezing of time ... [I]t is interesting in itself but tells little of why or how the scene was created or what comes before or after it. Nevertheless photographs are important historical documents in conveying 'objective facts of what has taken place and the selection of the instant provides insight into both the contemporary scene and the photographer. (Church 1985:1)

In this case the "photographer's insight" has been explored earlier in the study, (see Chapters One and Two), and the preceding narrative while not removing the problems of "freezing" an essentially dynamic process, limits distortions of the type considered by Church. It is accepted that any analysis of the policy process cannot remove these problems.

The delimitation of the issue community can best be facilitated by the development of an inventory of actors involved in the emergence, processing and implementation phases of the policy process. Such an inventory can be useful, even though there may be problems associated with the identification of groups that may be less visible in the interaction process. A further problem arises in the terms of

providing a suitable typology through which to organise the inventory. The choice of any typology involves a somewhat arbitrary decision regarding the criteria on which to organise the inventory. In this case the criteria used were the organisational characteristics and operating practices of the actors. This was useful as it highlighted the dichotomy between institutional agencies or structures and interest groups and was based on the functions of the actors. The inventory, forming Table 4:8 following, is enlarged upon in Appendix 1:2, where detailed descriptions of the major actors from within the issue community are made.

Two factors emerge from the inventory. The first is the large number of interest groups, and institutions identified within the inventory, the second is the significance of inter-governmental and government-industry consultative bodies. The presence of the such institutions reinforces the initial premise that interest groups are involved in the aspects of the process of fisheries policy development, although these structures may not be designed to act as forums for the interaction between interest groups and institutional actors. The inter-governmental bodies operate at defined level and may have a limited capacity for responding to the interaction of interest groups. Government-industry consultative bodies may lack influence as they do not incorporate the institutional actors. Given that both these structures have limitations in facilitating interaction they are nonetheless important actors in the network that arises out of the interaction within the issue community.

Figure 4:8

# Inventory of Policy Actors Involved in the Development of the Bass Strait Scallop Management Regime

## Administrative Agencies

- Australian Fisheries Service, Dept of Primary Industry,  
Canberra
- Commercial Fisheries Branch, Dept of Agriculture &  
Rural Affairs, 1985; F. & W.S., 1986
- Dept of Sea Fisheries, formerly the TFDA, Tasmania

## Commonwealth-State Consultative Bodies

- Australian Fisheries Council
  - Standing Committee of the AFC
  - South Eastern Fisheries Committee
- \*Bass Strait Scallop Task Force

## Commonwealth-Industry Organisations

- Australian Fishing Industry Council, 1968
- Interim Fishing Industry Consultative Panel, 1984-85
- National Fishing Industry Council, 1985
  - National Fishermen's Association
  - National Industry Association
  - National Fish Processors & Marketers Assn
- Fishing Industry Policy Council of Australia (FIPCA)
- \*Bass Strait Scallop Task Force

## State Government-Industry Organisations

- Victorian Fishing Industry Council
- Tasmanian Fishing Industry Council, est. June 1985
- Tasmanian Scallop Liaison Committee

## Fishing "Umbrella" Groups

- Victorian Professional Fishermens Association
- Professional Fishermens Association of Tasmania
- Australian Fishing Industry Council - Tasmanian Branch

## Fishing Interest Groups

- Tasmanian Scallop Fishermens Association
- Tasmanian Rock Lobster Fishermens Association, est. 1985
- Lakes Entrance Scallop Fishermens Association
- Port Phillip Bay Scallop Fishermens Association

## Fish Processors and Marketing Bodies

- Tasmanian Fish Processors and Exporters Association
- Victorian Fish Wholesalers and Processors Association



The number of actors and the complex inter-governmental or industry consultative bodies reinforces the impact of the overlays in jurisdiction in the Bass Strait region, (the complexities of "offshore federalism") and the characteristics of the resource base discussed in Chapter Three. The development of the Bass Strait scallop fishery in the waters off the Victorian coast, and off the northern coast of Tasmania led to the organisation of fisheries groups in each State. As the fishery moved later into the "deep water" beds north of Flinders Island these groups became conscious of differences in operating practices between the two States. The fishing industry groups from Tasmania and Victoria were active members of the issue community and in the identification of problems in the management of the fishery, elaborated in later discussion.

The particular character of inter-governmental conflict during the evolution of offshore federalism in the period 1952-1980 increased the importance of inter-governmental moderating institutions such as the Fisheries Council and explains the existence of such bodies within the inventory. The inventory also indicates clearly that the structure of the resource user interest groups replicate, or conform to, the separation of responsibilities for policy making between the different levels of government. Matthews (1976, 1980), claims that the existence of a federal political system encourages interest groups to develop a similar federal structure providing access points to both State and Commonwealth governments. The existence of shared responsibility for policy may enable an interest group to play one government off against the other, or conversely allow the institutions to confuse the area of responsibility between the tiers of government so that the interest

group is unable to identify the appropriate institutions responsible. The narrative indicates that such a situation occurred from time to time; for example, the Tasmanian fishing interests were adept in appealing to the Commonwealth when their proposals were ignored by the Tasmanian government, while the Tasmanian administrators argued that it could not act due to external constraints posed by the inter-governmental character of the issues.

The existence of the overlaying responsibility for scallop policy and management may contribute to the emergence of the issue community policy style (Richardson 1982). Critics of the overlays between Commonwealth and State responsibilities in policy areas, such as Sawyer, argue that such overlays confuse and cloud the political responsibility for these policies to a degree unacceptable to the fundamentals of a Westminster system (RCAGA 1976). It is the fragmentation that arises out of this clouding of responsibilities which facilitates, in Sharpe's (1985) view, the development of the issue community through the additional loci that arise in the interaction network. In a policy environment where several jurisdictions share responsibility for policy the institutions, departments and agencies have more in common with each other between the tiers of government than with institutions from within the same tier. This shared concern, together with the development of linkages with specific interest groups, also enhances the development of issue communities, with the aspect of "common concerns" central to Richardson and Jordan's thesis (1979).

As the inventory is a static view of the issue community it contains some anachronisms due to the extended time taken in the

process of developing and implementing the regime. There is overlap between actors involved in the early phases of interaction and who may have disappeared in later phases of the process and those actors that emerged in these latter stages. While it can be reasonably expected that there may be variations in interest group involvement for a number of reasons (see earlier discussion) the inventory also shows that these dynamics are repeated in some degree in the changes wrought to the institutional membership of the issue community.

These changes occurred chiefly as a result of institutional restructuring, most graphically indicated in the creation of the Department of Sea Fisheries with the demise of the TFDA in Tasmania, and the separation of the Commercial Fisheries Branch from, and eventual return to, the FWS in Victoria (see Chapter Three). The development of a revamped Commonwealth government-industry consultative body (NFIC) in 1985, leading to the creation of TFIC as an electoral college for NFIC indicates that the structure of such quasi-institutional actors within the issue community also displayed considerable change.

The impact of these changes on the interaction process can be overstated, as individuals representing these actors generally remained the same, (particularly at the State level with fewer personnel changes than in the Commonwealth AFS) and the institutional structure of the issue community remaining relatively intact. State and Commonwealth Fisheries agencies retained a strong presence in the community throughout the period of interaction over scallop management even if they appear at times wearing a different "labels".

A major limitation in the inventory is that it does not show the association between different actors, the network through which interaction is carried out. This problem arises out of the freezing of a dynamic process, (part of the "snapshot" effect mentioned by Church, 1985), and through the presentation of any such inventory as containing discrete classes. The narrative of the emergence, processing and implementation of the scallop management regime (the preceding section) supports the issue community model's premise that the interaction within the policy process is an essentially dynamic phenomenon.

Further analysis of the impact of interaction and the development of a network can be enhanced by examining the linkages that emerge between members of the issue community. Since the creation of a community is dependent on the emergence of close relationships between institutional and non-institutional actors such linkages are important features of this particular policy "style". The linkages between members of the issue community occur at two levels. The first is the formal, the contact made through shared membership of consultative bodies at the institutional level, or through interest group involvement in the policy machinery. In Tasmania the Scallop Liason Committee, SLC, is a good example of such a formal linkage, as is the Task Force at the regional level. The second type of interaction occurs through the informal linkages, those which take place outside the formal arena of the policy machinery and include the private contacts made between members of the community that may have a significant bearing on the actions taken in the formal arena.

The researcher is faced with some problems in identifying the network of interaction that defines the issue community. Formal linkages can be defined with some degree of accuracy, although in some cases, for example the creation of co-opted membership, formal linkages may not be as readily identified. Such problems in analysing the grey area of the impact of quasi or ad-hoc formal bodies have to be acknowledged, although the informal sector linkages provides greater problems. These linkages are sometimes impossible to determine although other studies in widely differing areas of public policy have stressed the significance of these contacts.

Insight into the potential influence of the informal linkages was gained during interviews which provided some indication that this form of contact is important both between members of different institutions and between these policy makers and representatives of interest groups. Two instances from the research interviews support this premise. The first case concerned an interview with a fisheries biologist who, during the course of the interview, took a phone call from a fisherman over licence fees, (an area outside that the individual's responsibility). The fisherman had telephoned the biologist as a result of contact made in the past. The second case involved interviews with senior fisheries administrators who recognised their ability to maintain contact with industry leaders as an important aspect of the development of fisheries policy. One administrator went as far as to say that the "system" only worked because he knew who to contact both in government and in the industry. Lower level staff, particularly those working in research, and therefore visible to the fishermen, were able

to target key fishermen. Fishermen, conversely, were able to identify key administrators and the staff they had the most contact with, those concerned with licensing and enforcement.

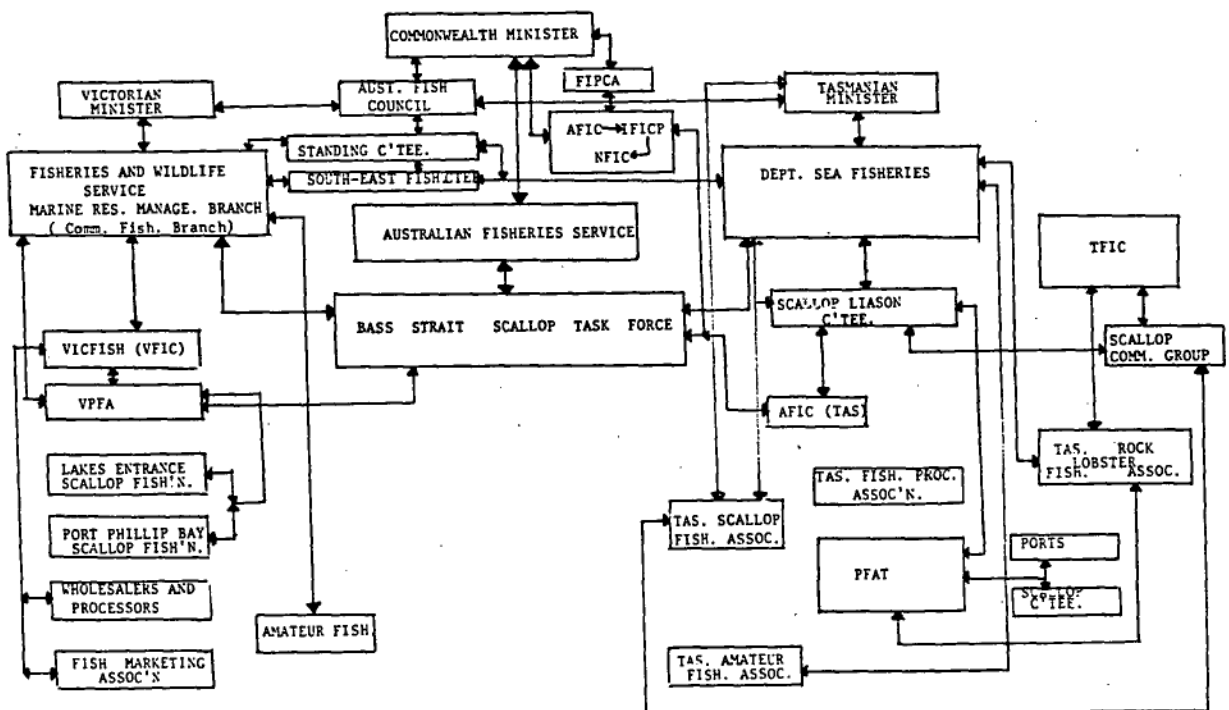
The following discussion attempts to identify the linkage network that emerged as a result of interaction over the development and implementation of the Bass Strait Scallop Regime. Although this network was at its maximum during the period that the issue was being processed, this interaction was, from earlier discussion, also important in the emergence of the issue, helping the agenda setters identify problems in the management of Bass Strait scallops. In the post implementation phase interaction was chiefly concerned with practical issues concerned with fishing effort restrictions and stock conservation measures as opposed to the constitutional or intergovernmental issues that had consumed a greater part of the early agenda.

An examination of the network formed by the linkages between the different actors emphasises the interdependence within the issue community. These linkages can be depicted graphically, although like the inventory of actors, such a diagram provides a static view of what is essentially a series of dynamic relationships. Such a diagram is nonetheless useful in identifying the components of the issue community that are unable to be depicted in the inventory. Of particular use is the depiction of the linkages between the interest groups and the institutional actors that create the particular set of operating understandings (Richardson and Jordan 1979) integral to the emergence of such a policy style. The linkages between the members of the scallop issue community are depicted in Figure 4:9, following.

The network, (with the linkages between actors shown as double headed arrows) clearly highlights several factors that are regarded as important influences on the pattern of interaction, and the operation of the policy process. The diagram reinforces the existence of a multiplicity of interest groups and non institutional actors and the existence of the tripartism in the political and administrative sectors evolving out of the overlays in jurisdiction concomitant with the character of Australian offshore federalism.

Figure 4:9

The Scallop Management Issue Community Network



At the centre of the network is the Bass Strait Scallop Task Force. This body, with membership including representatives from the State and Commonwealth bureaucracy and industry groups from Tasmania and Victoria, provided a link between the different groups concerned with the issue(s) and also, most significantly a forum for the interaction process. The Task Force provides the clearest case of the incorporation or co-optation of these interest groups into the formal policy process and in doing so created a structure that overcame many of the disadvantages of the existing policy framework.

The government-industry consultative bodies, IFICP, and later NFIC, were concerned with issues surrounding scallop management, (with IFICP supporting the introduction of the Interim Management Regime in 1983), however these bodies lacked membership from the State fisheries bureaucracies and so had little chance of resolving these issues. The formal inter-governmental bodies, at both Ministerial and administrative levels, while particularly influential in the functioning of the issue agenda and in the implementation of the Regime, were conversely unable to co-opt the interest groups. As a result the Task Force had considerable success in focussing debate on the development of a management regime and achieved a great deal in providing a forum where all actors could discuss problems and resolve conflicts that arose out of these issues (Byrne 1985).

The Task Force format overcame many of the traditional grievances of the fishing interest groups. These grievances arose from the claims that governments plan the management of the resource without reference to the fishermen's concerns. One can argue that such grievances need to be put into context; fishermen were welcomed by all



agencies to comment on aspect of fisheries management that concern them, the problem for fisheries managers was how to encourage this input. The grievances usually arose when restrictions on fishing effort, or specifically on levels of catch, were implemented. The Task Force, through its industry membership from (both catch and processing sectors) and its visits to the ports of the region, reduced these traditional grievances, even if as the narrative indicates the fishermen still held at times a deep-seated mistrust of government actions. The Task Force forestalled the claim that fishermen had been ignored in the development of management options, although it is clear from the narrative that Task Force representatives had difficulties in convincing their fellow fisherman of the political realities surrounding the introduction of the scallop regime.

The Task Force enabled the fishermen's representatives to gain insights into the political, administrative and legislative constraints familiar to fisheries managers but perhaps underestimated or largely ignored by the fishermen (Byrne 1985). For the reasons discussed thus far, the co-optation of interest groups and the creation of a formal policy structure that occurred with the introduction of the Task Force in 1983, can be seen as a major development in the issue community. The operation and structure of the Task Force is considered in more detail in Appendix 1:2, and its significance in the interaction process and the development of policy is examined briefly in the concluding section of this chapter.

As the issues surrounding the management of the Bass Strait scallop fishery developed the web-like network the membership of the

issue community also underwent some predictable changes. Some of these changes, concerned with variations in the "relatively small universe" of major interest groups, (Richardson and Jordan, 1979) have already been considered in earlier discussion, however the decline of broad based industry groups and their replacement with interest groups concerned with a single fishery is particularly interesting. Although the co-existence between an umbrella group, the VPFA, and the scallop fishermen's interest groups at Lakes Entrance and in Port Phillip Bay had occurred for a considerable period in Victoria, the break up of the existing industry umbrella organisation (the PFAT) occurred in Tasmania during the period that the scallop issue was on the agenda. Part of this decline in the influence of the broad based PFAT organisation can be directly linked to the emergence of new, break-away groups concerned with single fishery issues such as scallop management and also to factors external to, and outside the PFAT's control, including the move to a fishing industry council, TFIC, in Tasmania.

The internal forces contributing to the decline in influence of the PFAT, traditionally the fishermen's lobby group in Tasmania, were first, the emergence of the Scallop Branch within its own organisation and later, the emergence of the TSFA, reducing the PFAT's authority to speak as the voice of the scallop fishery. Part of this decline of was due to its organisational basis, branches based on ports tended to find it difficult to gain consensus on the management of a single fishery given the potential for variations in resource stocks or vessel numbers that occur in different areas. In the scallop fishery this has tended to raise conflicts between fishermen from different areas in the State,

(for example a serious dispute occurred between St. Helens and the Channel scallop fishermen over the management of the Tasmanian fishery). Both factors reduced the ability of the umbrella organisation to provide a consistent view on scallop management, (see narrative).

The external forces contributing indirectly to the decline of the PFAT included the formation of NFIC. The development and structure of NFIC is interesting, particularly in terms of industry-government consultation on policy, although it is beyond the scope of this analysis to look at the topic in detail. In the attempt to overcome the problems of the defunct AFIC organisation, avoiding a structure that replicated existing bodies, NFIC comprises three constituent associations. These associations represented the catch, the processing and marketing and finally the service sectors and had members from each state. NFIC (in effect a "peak council") was elected from members from each of the constituent associations, with each State containing at least one representative. As a result of these developments the Department of Sea Fisheries in Tasmania, (DSF), sponsored a meeting of fishermen which agreed to set up the Tasmanian Fishing Industry Council, (TFIC), which comprised eight fishery commodity groups, (scallops, rock lobsters etc.) and a ninth, the PFAT. TFIC would provide the representatives to the NFIC organisation and provide the first integrated industry council in the state. The introduction of commodity groups contributed to the decline of the PFAT as it no longer was the major group in the Tasmanian fishing industry.

While the Victorian fishing industry groups remained relatively stable during the scallop management debate, the downturn in the Bass

Strait beds off Lakes Entrance provided some conflict between these groups. This conflict arose through the attempts of Lakes Entrance fishermen to fish in the highly restricted scallop fishery in Port Phillip Bay. While this dispute did not fundamentally alter the structure of linkages or the make-up of the issue community it does indicate that multi-faceted issues may lead to a range of interactions. As shown in the Tasmanian experience, disputes occurring within the industry groups make it difficult to develop policy as the larger concerns are ignored while the particular issues are dealt with.

The identification of the actors comprising the issue community through the inventory of actors involved and the development of the formal, (or identifiable) linkages between these actors is one aspect of the analysis of the interaction process. The effectiveness and impact of non institutional actors in the phases of the policy process, (associated with the emergence, processing and implementation of the Management Regime for the Bass Strait scallop fishery) is also important in the analysis of this interaction. This aspect of the analysis comprises the following section.

#### 4:6:2 The Policy Process, Interaction and the Development of the Bass Strait Scallop Management Regime

This section is concerned with examining the extent, and influence of interest group involvement in the phases of the policy process concerning the emergence and processing of issues and the implementation of policy concerning the management of the scallop fishery in Bass Strait.

Earlier in the study (see Chapter Two) it was argued that the policy process can be separated into different phases and that the level of interest group interaction will vary between the different phases of the process. It was postulated that while an issue can emerge through the actions of a single, or a relatively small number of groups with an interest in the issue, the placing of the issue on the agenda encourages other groups to become involved. While the processing of issues provides the possibility for the maximum level of input from interest groups, the implementation phase of the process is usually perceived as being firmly under the control of institutional actors. An exception to this generalisation occurs when interest groups are recognised as important agents in the fine-tuning of policy following the decisions made by institutions regarding the policy content.

The analysis of the emergence of the issues surrounding scallop management in Bass Strait indicates that these issues were placed on the agenda in a relatively straight forward manner and yet, at the same time, this phase of the process displays the complexity which arises out of the existence of multiple, and overlaying jurisdictions, and responsibilities for fisheries policy. In a very real sense the emergence of the scallop management on the agenda occurred at two levels, with the scallop management problems initially emerging within the Tasmanian fishery contributing to the later agenda-setting by the Commonwealth. The "problem" of scallop management was multi-faceted, which also contributed to the complex process of issue identification and emergence.

The problems in the Bass Strait scallop fishery which were initially publicised by Tasmanian fishermen, and which contributed to the emergence of the "issue", included a period of a sharp decline in catches, the introduction of the Allied Fisheries fleet, the shift of the scallop fishery in Bass Strait into deep water beds off the Furneaux Group bringing Victorian and Tasmanian vessels into the same grounds, and the perception of fishermen on differing restrictions, particularly differences in dredge size and scallop size-limits between the vessels.

These issues emerged in conjunction with a dissatisfaction among the Tasmanian fishermen over the actions of the Tasmanian Fisheries Development Authority, (TFDA), in its management of the Tasmanian scallop fishery. Part of this dissatisfaction emerged out of the handling of the Allied Fisheries issue and the continued "encroachment" of Victorian vessels, (with, incidently, correct Commonwealth endorsements) on what were regarded as the "traditional" fishing grounds of the Tasmanian fleet. These issues were important to the fishermen but disregarded by the Tasmanian government as lacking substance, or even within the competence of the State to resolve.

The second "level" of the emergence of the issue occurred in November 1983 when the Commonwealth government introduced the Interim Management Regime. This regime was introduced as a result of government concern at all levels, both commonwealth and State over the future of the fishery (Pontin and Millington 1985). The intervention of the Commonwealth followed increasing problems in the fishery and an inability, or reluctance, of the two States to resolve these issues

without the active participation of the Commonwealth, (see pp. 113-116). The November 1983 decision introduced a limited entry fishery and placed the issue of a longer term management regime firmly on the agenda, with the Tasmanian government reluctantly agreeing to the interim regime but stressing that it was an interim measure.

It is obvious that some of the problems central to the management of Bass Strait scallops had existed for a considerable period prior to the introduction of the Interim Regime. An important aspect of the emergence of issue is the impact of issue definition, that is the decisions made by institutional actors over which issues are placed on the agenda (see Chapter Two). Richardson and Jordan (1979) along with several other writers, Schattschneider (1960), Downs (1972), Stringer and Richardson (1980), see the institutional actions associated with the definition of issues as an important stage in the emergence of issues. The placement of a particular issue on the agenda over alternatives, for example the introduction of an Interim Regime instead of the restrictions on Victorian vessels demanded by Tasmanian fishermen, may have great influence on the pattern of interaction or more significantly the final policy outcome.

In analysing the impact of interest groups on the emergence of the issue of scallop management, (accepting that the introduction of a management regime considered indirectly, but did not address some of the fishermen's concerns identified earlier), the interest groups were therefore active in the identification of problems, and can be credited with some influence on the placement of the issue on the agenda. The

assessment of this influence must take account of the actions of the institutional actors, and particularly the effect of the overlays in jurisdiction which gave the emergence of the issue two stages.

The problems in scallop management, resulting from the variations in catches due to the biological and oceanographic influences on the fluctuations in recruitment, are well known and acknowledged by fisheries managers. The interaction over issues of management initiated by the fisheries interest groups was successful in politicising the issue, (see narrative), and enhancing the emergence of issues concerning Bass Strait scallop management onto the agenda. Although one must acknowledge the importance of institutional actors in the development of the Regime, without the strong and persistent pressure applied by some industry groups it is doubtful whether the format of zoning forming the basis of the regime would have originated. Lack of agreement between the States forced the introduction of the Commonwealth's second option (zoning) as opposed to a single line of demarcation between the fisheries (Pontin and Millington 1985).

The declaration of the Interim Management Regime marked the formal entry of the Commonwealth into the interaction process, and also the beginning of the second phase of the policy process, the processing of the issue. Earlier analysis (see Chapter Two) has argued that this phase of the policy process is the focus of interest group interaction, where a maximum number of groups will be involved due to the increasing visibility of the issue. The empirical evidence supports such a proposition as one can detect an increase in the interaction between



different actors following the entry of the Commonwealth in November 1983. Interaction between actors was further enhanced with the development of the Bass Strait Scallop Task Force in 1984. Between the publication of the Task Force Discussion Paper in September 1984 and the announcement of the agreed zoning scheme of management in July 1985 the interaction process emphasised the problems associated with processing issues that concern multiple jurisdictions. The processing of the issue at one level (i.e. attempting to gain agreement between the States over fisheries management) was greatly influenced by other factors, for example the presence of external unresolved constitutional issues, (the state of play with the OCS).

As can be expected important influences on the interaction between interest groups and the institutional actors occurring during the processing of the issue of scallop management reflected action undertaken in earlier stages of the policy process. The multiplicity of actors involved in this particular issue community relates to the particular pattern of issue emergence. Scallop management problems first surfaced in Tasmania and then became the concern of the Commonwealth and Victorian governments. A related factor was the impact of issue definition on interaction, clearly seen in the persistence of interest groups pressing issues that were outside the agenda guidelines set by the institutions. An example of this is the continued claim by Tasmanian fishermen for the line of demarcation in the fishery to extend to the 39°12' Lat. S. baseline, an issue that was never considered due to the strong rejection of such a boundary by Victoria.

An explanation of this behaviour by interest groups can be found in the literature. It is recognised universally that the interest groups lack the expertise and organisational base, let alone the legitimacy and authority, (to be considered in a following section) held by the institutional members of the issue community. This may lead to problems for the interest group in defining what the problem is about (Schattschneider 1960, Stringer and Richardson 1980). Increasing the number of institutions increases the potential conflicts over what is the issue, (reinforcing the need for moderating institutions) but also contributing to a "muddying of the waters" of issue definition. The processing of issues may therefore be complicated in a policy arena containing multiple actors.

The introduction of the Task Force has been highlighted in the discussion as an important initiative that resolved many of the major problems associated with developing fisheries management policy. During this period the Task Force was able to reduce the scale of the issue community by incorporating representatives of all major actors and create a small forum where key issues could be negotiated. The Task Force was able to facilitate interaction; it is impressive how in less than six months this body prepared a discussion paper, and in less than a year had agreement on the basis of the management regime. Prior to this the issue had been on the Commonwealth initiated agenda for six months with little visible progress towards resolution of the problems. (It will be clear that the problems of the scallop fishery had been extensively canvassed and that the issue had emerged in Tasmania at least two years prior to this).

The formation of the Task Force provided a focus for the processing of particular aspects of the management of the resources, placing the major inter-governmental conflicts and interest group concerns into the context of the development of mechanisms, that would enable what were essentially two radically different management approaches, for the fishery to be managed under the OCS agreement.

It will be apparent from the previous discussion that the lack of cohesion between the interest groups within the issue community led to a particularly complex, and at times convoluted pattern of interaction during the processing of the issue. Apart from the differences between management strategies between the States, which influenced interest group goals and responses, the scallop fishery was, like any other fishery, separated into different sectors, and could not be viewed as a necessarily unified entity. The different sectors within the industry were likely to have different perceptions of the issue. The division of industry interest groups between the catch, processing and the marketing sectors increased the number of actors within the issue community and may increase the potential for disputes between sectors. This adds potential for a destabilisation of the community to occur during interaction as each sector attempted to gain support for its view.

The case study highlighted the particular lack of cohesion within the catch sector during the processing of the issue. The narrative illustrated clearly that different groups, and even members of the same group, provided different, (and at times conflicting) advice to policy

makers during the processing of the issue. This lack of cohesion arose from a range of factors. As could be expected specific individuals or interest groups were more politically active or concerned with industry matters than others. Even within groups however there may well have been internal differences and responses to issues. The PFAT executive, Council and Branches found it difficult to coordinate a single organisation based view on scallop management. The differences in interest group responses over the processing of the issues may originate at the lowest level in the organisation, (c.f. the dispute between the St. Helens and Channel branches of the PFAT). This difference in local political activity or interaction enhanced the regional and major inter-state rivalries between the interest groups within the issue community.

A final factor was important in the assessment of the impact of interest group interaction in this phase of the policy process. It was clear that the complexity of the issue led to the development of a relatively large issue community, although much of this complexity arose from the particular patterns of offshore federalism. Thus the structure of the issue community was linked to the multiple and overlaying jurisdictions that were contained within this federal system and responsible for resource management. This enhanced the dichotomy posed in the processing of the issues between the interaction between institutional actors and the interaction initiated and maintained by the interest groups, generally outside this strata of institutional decision making. Interest groups, not unexpectedly unsuccessful in gaining access to the formal inter-governmental bodies, were able to fully participate

in the processing of issues within the Task Force. The success of the Task Force emphasised how important such frameworks or structures can be in this phase of the policy process and in policy development generally.

The interaction between different actors that arose following the placement of the issue on the agenda, reinforces the utility of the issue community model in the analysis of policy interaction. Given the existence of a complex political framework, simple consultation between a single institution and a small number of interest groups, (what Hogwood (1986) calls a single group policy community) could not take place. A second factor was that the multiplicity of actors further complicated the pattern of interaction, making the resolution of issues less likely in existing policy making frameworks. A final influence on the interaction network and the level of interest group interaction was the lack of certainty for much of the period that the issue was being processed over the implementation of the OCS fisheries package. When the legislative and constitutional components which set the parameters of the policy process were ill-defined an extensive period of interaction is likely to occur as policy that can be sabotaged (in this case by legal or constitutional action) will tend to be avoided (Richardson and Jordan 1979).

The implementation of the scallop mangement regime, (foreshadowed in the announcement of agreement reached over a zoning scheme in July 1985), occurred in mid June 1986. The delay between the announcement of the agreement and its implementation is significant in this phase of the policy process and is linked to both the operation of the interaction network and the characteristics of the policy environment.

Earlier discussion has emphasised the control over the implementation process wielded by institutional actors. Such controls arise as implementation of policy, in contrast to interaction over less well defined issues, and occurs as a result of some legislative and/or political legitimacy conferred on a particular institution to act to establish and maintain (i.e. to implement) the policy. This legitimacy or authority within the legislative system is not shared by all members of the issue community and may be an important influence in determining the fate of interest group interaction.

Given the legitimacy and authority conferred on certain institutional actors during implementation the proposal was advanced earlier in the thesis that such institutional controls may be expected to reduce the level of interest group interaction at this phase of the policy process. The primacy of institutional actors, deriving from a number of factors including the perceptions held by non-institutional actors, the delegation of legislative responsibilities and finally the expertise in management and administration, may lead to restrictions on the level of interest group interaction during other phases of the policy process, but the implications of such controls are likely to be most apparent in the latter stages of policy development.

The empirical data provided some support for this proposition. In the period July 1985-June 1986 decisions and negotiations at an institutional level were the major factor in gaining the ratification of the earlier agreement. It is also clear however that interest groups were involved in interaction with these institutions in this period.

Interaction first arose out of the Banks Strait "Scallop War" and later over the implementation of regulations over the conduct of the fishery in the zone of extended Tasmanian jurisdiction. Although the former period, the "scallop war" was important in maintaining pressure on the government actors to prepare the zoning scheme for assent, the latter example is more characteristic of interest group involvement in this phase of the policy process. Such interaction can be seen as the fine-tuning of the policy, perceived as an important role of interest groups and one that characterises the close relationships between interest groups and institutions particular to the issue community policy style.

As the decision to implement the Scallop Mangement Regime was linked to the announcement of the intention to also implement the fisheries package of the OCS, (facilitating the arrangements integral to the zoning scheme), the two were closely related, and formed a key factor in this stage of policy process. Decisions to implement the OCS package increased the delays in the ratification of the scallop Regime, delay that was increased by the Banks Strait dispute. The closure of the Banks Strait beds by the Commonwealth, following direct representation from the Tasmanian Minister for Sea Fisheries, reinforces the importance of institutional actors in the implementation process.

The implementation of the Scallop Management Regime may be viewed as concluding a lengthy and complex interaction process. This interaction, involving a multiplicity of actors, is greatly influenced by the particular constraints posed by the overlays in jurisdiction

emerging from a shared federal - state responsibility for fisheries policy. The interaction following the introduction of the zoning Regime reinforces the view that the implementation of a particular policy is not necessarily the conclusion of the particular agenda item, but merely one point in an almost continuous operation of the policy cycle (Hogwood and Peters 1983). The next phase of the long running interaction over issues surrounding scallop management in Bass Strait, the development of a management scheme for the shared "central" zone is likely, as foreshadowed by the Tasmanian Minister in July 1986, to take a long period of time.

#### 4:7 INTEREST GROUPS, INSTITUTIONS AND INTERACTION: THE DEVELOPMENT OF A FISHERY POLICY - SOME PRELIMINARY CONCLUSIONS

The preceding Chapter has attempted to provide an analysis of the impact of interaction on the development of a specific fishery policy. This analysis was undertaken by first considering the main features of the fisheries resource base of Bass Strait, followed by the detailed description and analysis of a case study of the introduction of a scallop fishery Management Regime.

The analysis has identified an inventory comprising a large number of interest groups and institutions involved in interaction over the management of the scallop fishery; actors which make-up a relatively large and complex issue community. The interaction taking place within this issue community is further influenced by the parameters which form



the policy process, which in turn are constrained by the existence of overlying jurisdictions, Commonwealth and State, concerned with the development, implementation and administration of Australian fisheries policy.

It is argued that the presence of a complex jurisdictional framework, encompassing the legislative and constitutional structures within which these policies are framed, reduces the effectiveness of these existing policy structures as forums for interaction. The non-institutional members of the issue community (i.e. the interest groups) are unable to become incorporated into the existing structures which remain firmly entrenched with an institutional membership. If the premises regarding the development of policy through interaction within the issue community are sustainable, the existence of alternative structures within the policy environment may well signify the emergence of such a consultative, issue- community based, policy style.

Interest group involvement in fisheries management has occurred for a considerable period, particularly at the State level, as institutions responsible for fisheries management have attempted to involve resource users in the policy process, albeit on a limited scale. Each fisheries management agency encourages formal industry comment on matters of concern, however this study argues that these consultative bodies are, like the intergovernmental consultative bodies, limited in that their "terms of reference" are not suited to facilitating the process of interaction, nor are they able to accommodate the entry or interaction of interest groups in policy making.

The introduction of the Bass Strait Scallop Task Force provided a framework for the resolution of the complex issue of scallop management. The Task Force, unlike any other structure within the fishery policy community, contained "representatives from industry and government ... (and was) designed to increase consultation between all groups" (Pontin and Millington 1985:4 - emphasis added). As a result the Task force is seen as an example of an institutional response to the increasing level of interaction within what can be termed the issue community.

The Task Force provides an example of the internalising debate and encouraging interaction towards some formal structure identified by Richardson and Jordan (1979) as occurring during the policy process associated with the emergence and functioning of the issue community. These structures are seen as encouraging the interest groups to adopt the set of "operating understandings" (Richardson and Jordan 1979) that allow the resolution of complex issues and which facilitates the development of policy.

## CHAPTER FIVE

### BASS STRAIT OIL AND GAS POLICY

#### 5:1 INTRODUCTION

The discovery and development of the offshore oil and gas fields of the Gippsland Basin in Bass Strait gave great impetus to a range of issues surrounding marine policy. An earlier Chapter (Chapter Three) has discussed how questions of jurisdiction and federalism arising from Commonwealth - State inter-governmental relations over the territorial sea and continental shelf have been influenced by the discovery and development of offshore hydrocarbons resources. The Bass Strait oil and gas fields contain the largest oil reserves so far discovered in Australia and has gas reserves second to the North-West Shelf field, off North-West Western Australia. The strategic and economic significance of the contribution of the Bass Strait fields to providing partial petroleum self-sufficiency, and the impact of the exploration and petroleum production industries on the national and regional economy emphasise the importance of policies concerning the management and exploitation of these resources.

The development of any offshore hydrocarbons project involves extensive lead times between the initial "spudding in" of a "wildcat" well (the commencement of drilling an initial well in an exploration programme) and production following discovery of commercial quantities of hydrocarbons. The financial risk and large investment involved in such projects encourages the industry to support stability in the policy environment, enabling them, in their view, to make long term planning

decisions. Discussion in Chapter Three has indicated that the policy environment concerning resources policy in the territorial sea underwent significant changes (characterised by the term evolution), during the period 1965-1980, although hydrocarbons policy, in terms of the principles of permit allocation, production licensing and taxation generally remained stable through the same period. The election of the Hawke government in 1983 raised the possibility the first real changes to these policies, particularly through the decision of the government to implement the Resource Rent Tax, (RRT), and later to introduce a system of cash bidding for offshore titles.

The pattern of policy development experienced in the evolution of Bass Strait policy has been replicated in other offshore areas, a particularly relevant comparison is with the the United Kingdom sector of the North Sea. Liverman, (1982), argues that British policy for North Sea gas, and later oil, went through a series of phases corresponding to changes in policy direction. The first phase in the North Sea policy occurred through the establishment of a legal framework and offshore licensing system, contributing to a "fast build up of production" (Liverman 1982:450). The second phase occurred as policy changed to enable a higher proportion of the profits of production to be channelled into the British Exchequer, through changes in licensing policy and the establishment of British National Oil Corporation (BNOC) by the Wilson Labour government in 1974. Following the defeat of the Labour government in 1979 a third phase occurred with the Thatcher Conservative government maintained the policies regarding license allocation, "apart from reducing the role of, and planning to introduce private capital into, BNOC" (Liverman 1982:450)

Turning to an analysis of Bass Strait hydrocarbons policy, the following chapter is organised into two parts. Part A provides an overview of the resource base and its development, including a brief history of hydrocarbons exploitation in the region, and the issues that arise out of the attempts to provide policies governing this exploitation. These issues concern first the allocation of title to exploration permits and production licenses, and second the development of a taxation regime for the production from this resource base. The Bass Strait experience differs from North Sea policy in that the interaction pattern involves overlays in responsibility for policy between the tiers of government in the Australian federal system. Part A of the Chapter concludes with a description of the introduction and eventual implementation of the Resource Rent Tax (RRT) and cash bidding policies by the Hawke government between 1983 and 1985. Both issues concerned the attempt to increase the level of economic rent returned to the government, and provide a useful empirical basis from which to study interaction between different actors.

Analysis of the interaction between the industry interest groups, exploration companies and institutions responsible for development and implementation of policy comprises the second part of the chapter. Following the delimitation of the inventory of actors, comprising the issue community, the network of linkages between these actors is examined. This is undertaken to investigate the validity of the study's hypothesis on the development of institutional structure that reflect the involvement of non-institutional actors.

## PART A

## RESOURCE BASE AND POLICY ISSUES

## 5.2 HISTORY OF OFFSHORE OIL AND GAS DEVELOPMENTS IN BASS STRAIT

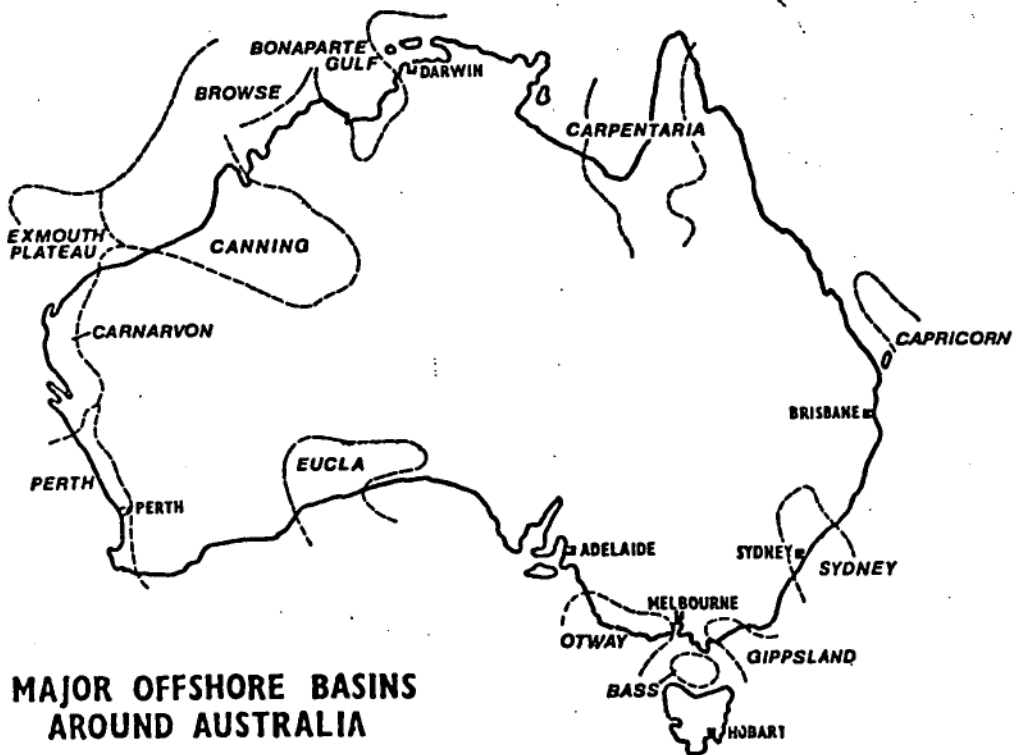
The presence of hydrocarbons in the coastal margins bordering Bass Strait had been postulated as a result of discoveries made following European settlement. Oil "seeps" on the beaches and low lying coastal lands near Cape Otway in the West, and in Gippsland in the East, were discovered in the late 1800s (Wilkinson, 1983). There was considerable debate over the geologic origin of some of these deposits, with early discoveries of "hydrocarbons" in the South Australia - Victoria border area in the 1920s later identified as being from a vegetable or plant source. This added weight to scientific opinion of Australia's low hydrocarbon prospectivity.

As a result it was not until the successful discovery of oil in the Rough Range, near Exmouth Gulf in Western Australia, that the Australian oil search gained impetus. The Rough Range discoveries in 1953 led to further exploration, with oil and gas being found at Moonie in Queensland and on Barrow Island in Western Australia respectively (Conybeare, 1972). The success of these programmes encouraged the exploration of other Australian sedimentary basins, and wells were drilled onshore in the Gippsland region. Condensate (oil and gas mixture) was found in these wells, but not in sufficient quantities to make the wells commercial (Wilkinson, 1983).

The existence of these sedimentary basins in offshore Bass Strait encouraged geologists to consider these areas as potential sources of

hydrocarbons. (See Figure 5.1 following). However the technological limitations posed by drilling offshore in the late 1950s meant that any effective programme of exploration was limited. The potential of Bass Strait was greatly offset by the extreme wind and sea conditions experienced in the region and drilling technology at the time was limited, and impracticable for what is reputedly one of the roughest straits in the world.

Figure 5:1



Source: Orchison (1982:69)

Serious contemplation of the offshore basins did not occur until Lewis Weeks was hired as a consultant for BHP (Broken Hill Proprietary Company Limited). Exploration, however continued to gain pace onshore

in a number of sedimentary basins. A number of the larger Australian companies such as BHP joined in the search, which had until this period been undertaken by smaller operations such as Woodside Oil (Wilkinson, 1983). The decision by BHP, a mining and steel making conglomerate, to enter the search for oil has been shown to be related to the successful discoveries in the 1950s (Trengove, 1975). BHP decided to investigate the potential of the onshore sector of the Sydney Basin, a sedimentary structure near the company's steel interests.

As part of its project development BHP employed Weeks as a consultant. Lewis Weeks, an eminent U.S. petroleum geologist, recently retired as chief geologist with Standard Oil (NJ) quickly dismissed the Sydney Basin proposal as unproductive (Wilkinson, 1983; Trengove, 1975). Weeks asked the company geologists accompanying him if BHP was really interested in finding oil, and was referred to the company's general manager (Trengove, 1975). Weeks advised the company that oil could be found in Australia, but that the areas with the best potential were the offshore sectors of the Otway and Gippsland Basins (Trengove, 1975). Weeks added that the technology to tap these reserves successfully was rapidly advancing, and would no doubt be available by the time the company was ready to drill.

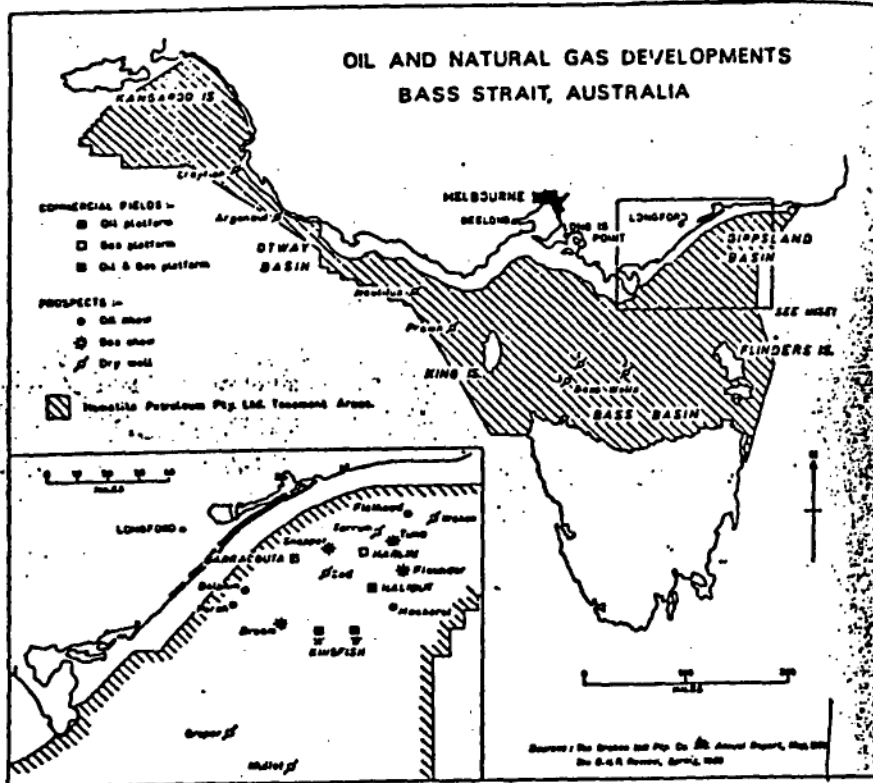
Weeks considered that the Gippsland Basin was the most productive, and encouraged the company to survey the area prior to drilling. BHP acted quickly on his advice,

... and secured titles to some 63,000 square miles of the sea bed from the governments of Victoria, Tasmania and South Australia. Weeks was retained as a consultant and a new subsidiary, Haematite Exploration (Pty Ltd) - later called Haematite Petroleum (Pty Ltd) - was established in order to qualify for taxation deductions (Trengove, 1975:208).



The size of the original BHP title can be seen in Figure 5.2 below. Later the company surrendered much of the tenement as the administration of the exploration programmes became finalised. (See Chapter Three for political-legal framework and later in this chapter for discussion on work programme system).

Figure 5.2



Source: Leigh (1970:222)

Weeks had convinced BHP that the surveys of the Bass Strait prospects would first enable the company to assess the area's potential and second, but more importantly, enable it to negotiate a successful "farm-out" agreement with a major oil company. The "farm-out" would enable BHP to join with a partner who would provide expertise and finance needed to bring the fields "on stream" in the event that the exploration wells provided commercial strikes. Weeks felt that the

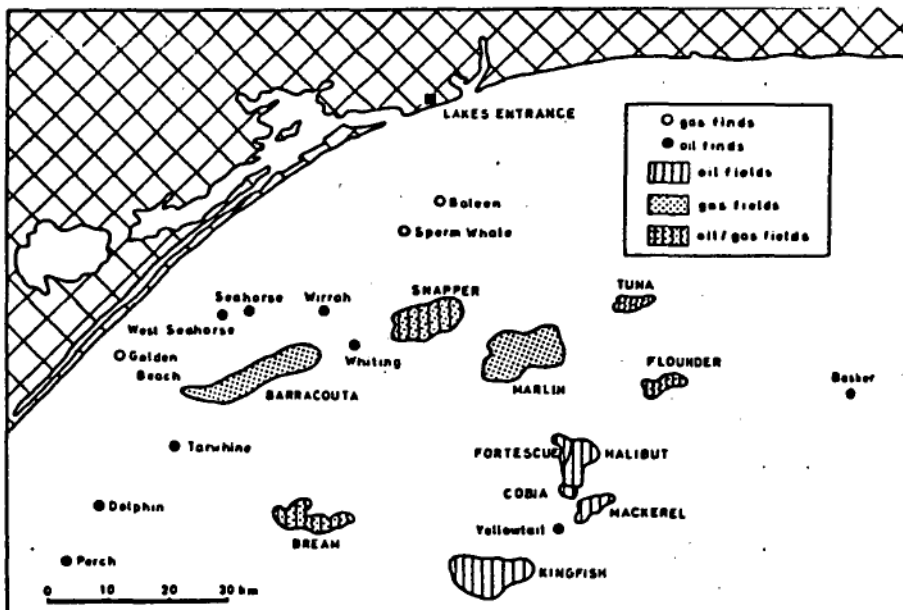
negotiations over the "farm-out" agreement would be stronger if the seismic and magnetometer surveys were completed and that data was available for potential bidders. (Wilkinson, 1983; Trengove, 1975).

The Bass Strait seismic and magnetic surveys were of considerable expense, and on a scale never before undertaken in Australia (Wilkinson, 1983). The company felt that this outlay would be reduced by the Commonwealth government's 50 per cent subsidy under the Petroleum Search Subsidy legislation. This legislation had been enacted to encourage exploration for oil by providing an offset mechanism for expenses incurred in the exploration for oil by providing an offset mechanism for expenses incurred in the exploration phase. Trengove indicates that after completing the surveys, BHP suffered the effects of the first of many policy changes in the oil and gas sector, when the subsidy was reduced to 30 per cent (1975). The survey results were extremely promising, and Weeks urged the company to enter into a joint venture with an interested party. The successful bidder in these negotiations was ESSO (Australia). The ESSO geologists were aware of the significance of the data obtained by BHP, as they had been involved in smaller onshore ventures previously in the Gippsland region. The ESSO-BHP agreement for Gippsland, a 50-50 shareholding, with ESSO acting as manager was subsequently extended into agreements for further exploration by the consortium in the Otway and Bass Basins.

The drilling programme in the Gippsland Basin commenced in December 1964 and is remarkable for two reasons. Not only did the first "wildcat" well to be "spudded in" strike gas, but the drilling occurred in the deepest water yet attempted. The spudding in of the East

Gippsland 1 well (later renamed Barracouta 1) took place on the 30th of December 1964, and was followed by "a gas blowout on the 18th February. The drillship Glomar III had struck gas at 4321 feet" (Trengove, 1975:210). Trengove reports the general manager of BHP as saying "we were looking for oil and I guess we were just about as surprised as anyone when we found gas. We were at a bit of a loss to know what to do with it" (1975:210).

ESSO-BHP followed the Barracouta discovery with a further gas strike in the Marlin field. The drilling programme continued, moving onto the Kingfish and Halibut structures between 1967 and 1968. A successful oil strike at Kingfish was followed by the discovery of the largest reserves of oil in Bass Strait in the Halibut structure. The Halibut and Kingfish fields formed the basis for the Australia indigenous crude oil production, followed by later discoveries at Fortescue, Cobia, Bream and Flounder. The location of these fields is shown in Figure 5.3, below.



Source: Wilkinson (1983:92)

The history of the drilling programme in the Gippsland Basin is tabulated in Figure 5.4. The table contains some interesting features which reinforce discussion in later sections. The long "lead time" for exploration wells to be brought "on stream" is emphasised, as is the effect of external policy on the exploration programme. The slowing down of the development of oil exploration in the period 1972-77 is seen to reflect the effects of the oil shocks brought on by the OPEC crisis which led to the subsequent raising of the world price while the Gippsland producers were restricted to a set price until 1975, (see later discussion). This pricing restriction was in force until 1975 as a result of agreements signed in 1969, based on a five year formula from the time production was brought on stream. A second, and not to be underestimated, factor was the impact of uncertainty of the Commonwealth government's attitude over offshore sovereignty.

From 1972 to 1977 the issue of offshore federalism and jurisdiction was at its height, (see Chapter Three). The lapsing of the Five year pricing policy in 1975 with the introduction of parity pricing were also important in influencing the Bass Strait exploration programme. The table comprising Figure 5.4 is useful in reinforcing the impact of external policy issues on the oil and gas exploration programme.

Figure 5:4

DEVELOPMENT OF OIL AND GAS FIELDS  
GIPPSLAND BASIN  
1964-1984

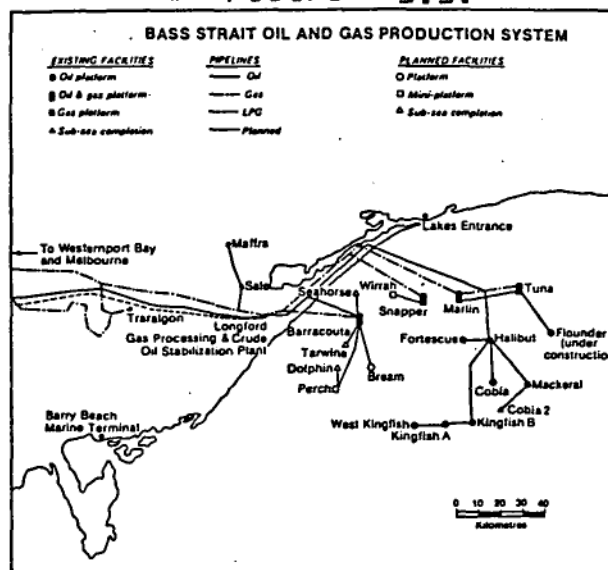
Major Wells

Name/Number	Date	
Barracouta 1	Feb. 1965	spudded in Dec.1964
Marlin	1966	
Kingfish 1	Apr. 1967	
Halibut 1	May 1967	
Kingfish 2	1968	
Kingfish 3	1968	
Snapper	1968	
Tuna	1968	
Flounder 1	1968	
Flounder 2	1969	
Flounder 3	1969	
Bream 2/3	1969	
Mackerel	1969	
Cobia 1	1972	
Flounder 4	1974	
Cobia 2	1977	
Kingfish 6/7	1977	
Mackerel	1977	on stream
West Halibut/Fortescue1/2	1978	
Fortescue 3/4	1979	
Tuna	1979	on stream
Cobia 2	1979	sub-sea production facility
West Seahorse 1	1981	
West Seahorse 2	1982	
Bream 1	1982	
Bream 5	1982	
Sperm whale	1982	
Tarwhine 1	1982	Permitee-Hudbay
Wirrah 1	1982	
Yellowtail	1982	
Flounder	1983	on stream
Basker	1983	Permitee-Shell
Whiting	1983	
Manta 1	1984	
Tuna 4	1984	

The oil-search in Bass Strait developed new impetus in the 1980s. Declining output predicted from existing wells in the 1990s encouraged increased levels of drilling, helped no doubt by favourable pricing arrangements. The drop in the world price of crude oil, (reducing the price paid for the Australian marker, Saudi light crude), led to significant price falls under the parity system. Added interest in the Bass Basin in Bass Strait resulting in a major survey and drilling programme occurred in 1984-85 and resulted in the discovery of condensate and a major gas discovery at the Yolla 1 well. The Yolla results encouraged the consortium, headed by Amoco, to undertake further drilling. These wells were dry or produced uncommercial flows of oil or gas. The programme was suspended following the decline, to record low levels, of oil prices.

The Gippsland Basin remains the most significant area of offshore oil and, to a lesser extent, gas production in Australia. A heavy investment in infrastructure, including pipelines and processing facilities in the region increases the "value-added" effects of the resource, benefiting both the Victorian and Commonwealth governments. The integrated oil and gas production system that has evolved in Bass Strait is illustrated in Figure 5.5, following.

Figure 5.5.



Source: McKay (1985:34)

This production system evolved as a result of the drilling programme described above. This programme was undertaken within a management regime concerned with the legal-administrative mechanisms governing allocation of titles and the pricing of production (which also involved the level of royalty and excise payments). The following section examines the allocation of titles, including the work programme system in detail.

### 5.3 THE ALLOCATION OF OFFSHORE TITLES: EXPLORATION PERMITS AND PRODUCTION LICENCES

Prior to the ESSO-BHP drilling programme in the Gippsland Basin, offshore titles were allocated in the Bass Strait region under a range of legislation. Only Victoria had enacted special legislation dealing with "undersea resources". The extensive permit (See Figure 5.2) originally allocated to BHP was awarded under existing mineral legislation in Tasmania and South Australia, utilising terrestrial mining "rights". The special problems of offshore petroleum exploitation led to the development of the 1967 Petroleum Agreement discussed in detail in Chapter Three. The 1967 Agreement enabled the Commonwealth and the States to concurrently administer the area, without initiating a constitutional dispute. The allocation of permits and production licences is an important aspect of the exploration and production process. It is particularly relevant given the introduction of changes to the existing system in 1985 which are discussed as a case study later in this chapter.

From the first allocation of permits in mid 1960s to mid 1986 petroleum exploration permits were allocated using a system of "work

programme" evaluation. In early 1985 the Commonwealth government attempted to introduce a system of "cash bidding" (sometimes also known as "cash bonus bidding") which was defeated in the Senate when first introduced, but was subsequently passed when the Bill was reintroduced. Cash bidding was restricted to the Timor Sea and modifications were made to existing work programme bidding, which as its title suggests, involves the allocation of titles on the basis of the drilling (or work) programme developed by the company, joint venturers or consortium. Cash bidding revolves around an "auction" for the permit area, with the highest bidder gaining "the acreage". The cash bidding issue will be discussed in depth in the case study. It is worthwhile examining briefly, the key features of permit allocation under the work programme system, as it is one of the important sources of contact between the corporate interests and the policy making or management institutions.

The allocation of an exploration permit is the first stage of an offshore drilling programme; it is illegal to drill without gaining title to a permit area. A permit is made up of a number of blocks, a key feature of the permit allocation system. Blocks are defined by longitudinal and latitudinal parameters, as offshore areas are "divided into graticular blocks, each measuring five minutes of latitude by five minutes of longitude" (Crommelin, 1974:479). The number of blocks per permit varies, as a result of the obligation on permit holders to relinquish fifty per cent of the blocks at every permit renewal. Blocks which have been awarded production licences are exempt from the relinquishment process.

The process of permit allocation begins with the release of permit areas. The company may engage in discussions with the agency



responsible for permit allocation, over the proposed release. This discussion may be informal prior to the placement of a formal bid for the permit acreage. This is done through a letter sent to the "designated authority" and gives a formal intention to apply for a permit. The second stage of the process involves a formal meeting between the exploration company and the agency, usually between senior policy advisers and company representatives. At this stage the Bureau of Mineral Resources or the Department of Resources and Energy may be involved, although for Gippsland permits, the bids are placed with the Oil and Gas Division in the Office of Minerals and Energy. The bids are then evaluated according to the criteria established for the work programme system, and the successful tender is announced. At a later stage the agency or institution responsible for management of the permit may approve variations to the original permit conditions, particularly in terms of farm-in or farm-out agreements.

The allocation of the permit is initially for six years, and can be renewed at five yearly intervals. At the completion of the first time period the permit is reviewed and half the blocks relinquished. The reason for the turnover of acreage is to ensure that the maximum drilling programme continues with the relinquished blocks aggregated where possible into new permits.

Problems in this system are perceived as occurring when the permit is due for renewal. A company, for a variety of reasons, may not wish to relinquish prospective blocks. This can pose difficulties in the management of the programme; companies may be all too willing to offload unproductive blocks, retaining the "highly prospective areas"

for the future. This poses problems for the development of new permits, as few companies will be interested in unproductive permits.

The criteria used to determine the successful tender in a work programme system are to a degree arbitrary. It is the perceptions of the senior policy makers on what criteria constitutes a "better" programme that is a key factor in the allocation of the acreage. Such assessments include the proposed drilling programme for the permit area, the make-up of the consortium and its financial backing, the experience the consortium has, and given the Foreign Investment Review Board guidelines, the Australian "content" is ownership of the consortium. Critics of work programme allocations argue that the system leads to a wastage of finance, as overbidding on the programmes is likely. Overbidding occurs when companies put forward ambitious work programmes which restricts further operations as little financial support is available for extra drilling, or where a programme involves a large commitment in drilling in an area of only marginal prospectivity. Cash bidding is seen to be "open" and allows a more realistic (i.e. market forces) level of bidding.

If during the exploration programme commercial quantities of either oil or gas, or both (condensate) are discovered the permit holders can apply for a production licence, the only legal way in which oil and gas can be produced commercially offshore (Crommelin, 1974).

A Crommelin states, "a permit holder who discovers oil or gas within the permit area is entitled as of right to the grant of the licence in respect of the discovery" (1974:482). The production licence applies to a location, (a group of nine blocks). The licence

conditions, particularly the royalty payments, vary, depending on the number of blocks chosen within the location (Crommelin, 1974). This allocation process is found in the amended petroleum (Submerged Lands) Amendment Act 1980 (Cth) which part of the Offshore Constitutional Settlement oil and gas package discussed in Chapter Three.

#### 5.4 OIL AND GAS ROYALTY AND EXCISE POLICY 1964-1984

The evolution of policy concerned with the pricing, royalties and taxation of Gippsland Basin hydrocarbons has been seen as the single most significant issue facing the Australian oil and gas industry. Wilkinson claims that "what was visible right from the start of offshore work in 1964 was the question of pricing of Bass Strait oil and its subsequent effect on the whole industry in Australia" (1983:127). He adds that "when oil was found at Kingfish and Halibut in 1967 birth was given to the greatest tangle of all - the Bass Strait oil pricing policy" (Wilkinson, 1983:116). This section surveys the initial development and subsequent modifications to this policy. This discussion will place the introduction of the Resources Rent Tax (RRT) in context.

Previous discussion has stressed that the initial offshore developments in Gippsland took place prior to the enactment of legislation governing the administration of resource exploitation. The development of pricing policy similarly lagged behind the drilling programme, being initiated after the introduction of the administrative regime formed by the 1967 Agreement, (see Chapter Three), and following confirmation of the large reserves in the Halibut and Kingfish fields.

Once significant reserves of crude oil were confirmed the joint venturers in Gippsland (ESSO-BHP) entered into negotiations with the Commonwealth government over the pricing and royalties payable for this oil. Existing policy under the search subsidy legislation gave incentives of 65 cents a barrel, (world prices were approximately US\$1.80), and aimed at encouraging exploration in the marginal fields at Barrow Island and Moonie (Wilkinson, 1983). The large return expected from the Gippsland fields forced the Commonwealth government to reappraise this policy, as it would be exorbitantly expensive if transferred to the new fields (Wilkinson, 1983).

The Gorton government negotiated a pricing and royalty policy with the joint venturers. The announced pricing policy was separated into two distinct time periods. The first was from the date of commencement of production from the Gippsland fields to 17 September 1970. (Gippsland production commenced 8 October 1969). The second period was from 17 September 1970 to 17 September 1975. Industry sources pushed for a fixed price for the indigenous crude, ironically in the light of later developments, not taking the government option of a floating price tied to parity with world prices. The price agreed to was A\$2.06 a barrel, and as this was well above the current world rate the exploration, partners "were well pleased" (Wilkinson, 1983:118-119).

At the time of these negotiations between the companies and the government in 1968, the participants could not predict the first oil shock of the early 1970s, when OPEC (the Organisation of Petroleum Exporting Countries) pushed the world price to US\$2.18 a barrel in 1971. Wilkinson says of the failure of the Australian industry to predict this change:

It is an episode of misjudgement the producers prefer to forget, but it does give an indication of the often complex and everchanging relationship between the explorers, producers and the Australian government of the day. It also indicates the inherent uncertainty in prediction (1983:119).

Royalties to be paid on Gippsland crude involved the introduction of:

a system of overriding royalty payable to the State ... The rate was negotiable between 1 and 2.5 per cent. These royalties were however to be over and above a basic 10 per cent of well head value royalty on production which would be divided equally between the State and Commonwealth (Wilkinson, 1983:125).

Following the price rise in 1971 the price set for Australian indigenous crude began to fall behind parity with world rates. This gap was further eroded during the major oil crisis of 1973-74, (the second oil shock) when OPEC greatly increased its prices. APEA, the Australian Petroleum Exploration Association, concerned with the effect this revenue gap had on continued exploration in Australia, pressed the government for changes to the 1971 formula. APEA argued that the situation was leading to a falling off in drilling and exploration (Wilkinson 1983). APEA's view is reinforced by the Gippsland drilling history discussed earlier in the chapter.

Pressure mounted for changes to the system of pricing of crude oil from Gippsland. In September 1975 advice to the then responsible Minister, (Mr. Connor), from the Department of Minerals and Energy was that new discoveries should receive full import parity pricing (Wilkinson, 1983). Prime Minister Whitlam announced changes to the pricing formula in September 1975. "All oil discovered after this date, referred to as "new oil", would receive world parity prices" (Saddler, 1981:129). The Gippsland producers, ESSO-BHP, were disappointed in this

policy as the large reserves were classified as "old oil". The small increases for "old oil" "bitterly disappointed ESSO-BHP" (Wilkinson, 1983:141). Saddler states "that ESSO and BHP continued to demand an increase in the price for the oil they had discovered in the 1960s" (1981: 129). A further change in policy was announced in the 1975 Budget delivered by Treasurer Bill Hayden; the government "decided to impose an excise of \$2.00 a barrel payable by the refineries" (Wilkinson, 1983:143).

Following the defeat of the ALP government in December 1975, the Fraser government instituted an inquiry into petroleum pricing and policy by the Industries Assistance Commission (IAC). The Fraser government lifted the \$2.00 excise for any fields discovered after August 1976 to encourage increased exploration. The completed IAC inquiry was not released by the government for 12 months "to the chagrin of the whole industry" (Wilkinson, 1983:145). When the report was released, the government "partially accepted the IAC's recommendations for a gradual move towards import parity for reserves already found" (Wilkinson, 1983:145).

In 1977 the Liberal-NCP government announced further alterations to its oil policy. The Minister for Trade and Resources, Mr. Anthony, announced increases in the pricing of Gippsland crude to world parity "for the first six million barrels produced from each field per annum or a proportion of the production for each year - whichever was the greater" (Wilkinson, 1983:145). New developments would receive immediate import parity prices for most of their production. These arrangements

took effect from the 17th August 1977 and were to apply until the 30th June 1981. The Government promised to review the situation before 1981 to decide the rate at which the progression to full import parity should be effected after that date (Wilkinson, 1983:147).

In 1977, during the Budget Speech, the then Treasurer, Mr. Lynch, foreshadowed the introduction of resource rent taxes for petroleum and uranium mining (Bambrick, 1979). The "Australian Labor Party, at its conference in Perth in 1977, supported the idea of an 'additional profits tax' for the mining industry" (Bambrick, 1979:35). The additional profits tax became the basis for the RRT policy within the ALP's platform.

Following strong pressure from industry sources the Fraser government was forced to announce:

... that [it] had shelved plans for a resources rent tax on crude oil and uranium production ... The decision had taken into account the possible adverse effect of such a tax on exploration and development decisions and on investor confidence (Bambrick, 1979:35).

This announcement was made in July 1978. The removal of the RRT proposal from the Liberal-NCP government's agenda was followed by the introduction of import parity pricing to indigenous production in the August Budget. This increase in the price paid for indigenous crude, and yet another shift in pricing policy, was aimed at encouraging the development of further exploration, and to help alleviate "the government[is] budgetary problems" (Bambrick, 1979:35).

The Budget decision meant "that all indigenous crude from then on [would] be priced to the refiners at import parity" (Wilkinson, 1983:15)). This led to increases for the consumer, but also had the effect of

increas[ing] the revenue which the government derives from every barrel of oil produced, by what was, in effect, a massive increase in the levy (Saddler, 1981:131).

The third oil shock experienced through political instability in Iran in the late 1970s had important influences on both world oil supplies and pricing policy of crude in Australia.

The reduction in Iranian production led to OPEC increasing the world price of crude oil. In July 1979 the Commonwealth government

outlined new levy arrangements which [it] had been working out over the previous 12 months, aimed at tightening up any loopholes in producers' gains from Bass Strait (Wilkinson, 1983:152).

Saddler argues:

that although ... [the changes in pricing policy] were complex in detail, the basic purpose of this alteration was to particularly decouple the price received by the companies from import parity (1981:131).

The 1979 decision introduced a "complex, multitiered levy system" (Wilkinson, 1983:152), as the basis for pricing policy. These arrangements only related to what Wilkinson calls "parity oil" that part of production which attracted import parity pricing. The introduction of a levy criteria based on rate of production was complex, and is summarised as follows. A field producing less than 2 million barrels had the levy rating at \$3.00 per barrel. Where commercial production was between 2 million and 15 million barrels the levy was set at \$3.00 plus 75 per cent of the increase in import parity after 30 June 1979. The final tier concerned fields producing more than 15 million barrels (only Kingfish and Halibut) where the levy was \$3.00 a barrel plus the increase in import parity price on 1 January and 1 July 1979. (Wilkinson, 1983:152).



The complexity of this pricing formula was criticised by the Opposition, who drew attention to the effect the arrangements had on increasing the Government's windfall in revenues (Wilkinson, 1983). The ALP proposed the introduction of an RRT in place of the tiered levy system. The RRT was seen as a simple, neutral tax that would not penalise exploration or deter investors.

The introduction of parity pricing to "new oil" gave impetus for increased development in Gippsland. The decline in drilling and development experienced in the mid 1970s was arrested, and commitments to develop the Fortescue and Flounder fields can be seen to be derived from changes in pricing policy. Higher returns from existing production provided finance to support marginal development. The 'Fortescue controversy' highlights the importance pricing arrangements have on petroleum developments.

The Fortescue field was discovered late in 1978, and was originally thought to be an extension of the Halibut field. (It would therefore be an "old oil" field.) ESSO-BHP discovered differences in crude composition which encouraged them to believe they had discovered a new field. A "step out" well from the original well (West Halibut) was drilled quickly to further assess the "strike". The geologic proof was submitted to the BMR, who supported the view that Fortescue was a separate field, and therefore entitled to parity pricing (Wilkinson, 1983). This decision was in part the reason given by the joint venturers in their commitment to develop the marginal Flounder field, as increased revenue was achieved from the Fortescue decision.

Increases in world price for "Saudi light crude" (the Australian pricing benchmark or base) occurred in November 1979. The price increased from US\$18.00 a barrel in July 1979 to US\$24.00 a barrel in November, and then to US\$26.00 in February 1980 (Wilkinson, 1983). In early 1980 the price rose again to US\$30.00, with an almost immediate increase to US\$32.00 as a result of OPEC pressure. In January 1981 this increase in the benchmark was transferred to indigenous crude.

In early 1983 the election of the Labor government led by Mr. Hawke placed the issue of oil pricing onto the agenda, as the ALP included the introduction of the RRT in the petroleum sector as part of its platform. Prior to the election OPEC dropped the price of its "marker crude" back to US\$29.00, and also placed ceilings on production. During the 1983 election campaign

both major parties pledged to drop Australian parity price in line with any OPEC price cut, but the Labor Party went further and pledged to eliminate the \$3.13 increase in the levy introduced ... in January 1983 (Wilkinson, 1983:162).

The oil industry waited anxiously for the Hawke government's policy on the pricing of oil to be announced. The contrast between the "crash through or crash" style of the Whitlam government and the more pragmatic approach adopted by the Hawke Cabinet is clearly highlighted in the changes to oil policy. Senator Walsh (Minister for Resources and Energy) announced the commitment to an RRT, but

suggested that it would not be worked out until 1984, and he reiterated that the details would be discussed with the industry and individual States before implementation (Wilkinson, 1983:162).

In June 1983 the Government announced changes to the levy arrangement for excises on "old oil". The existing levy scheme contained anomalies known to the industry as "black holes", which concerned the large increase in excise experienced following minor increases in production. The Minister, Senator Walsh, felt that these "black holes" were a "disincentive to companies to increase their production" (Wilkinson, 1983:162), and claimed a final solution would be implemented with the RRT. Due to the time taken to implement the RRT an interim measure of revising excise scales was undertaken, and implemented from 1 July 1983.

The interim scheme can be summarised as follows. Production up to 315,000 barrels a year would be levy free. Between 315,000 and 629,000 barrels a levy of 5 per cent of current Bass Strait import parity prices would be imposed. Production of between 629,000 and 1.26 million barrels would draw a 15 per cent levy. The scale would rise in approximately 600,000 barrel increments to production above 3.77 million barrels, which would attract a levy of 87 per cent of Bass Strait parity price (Wilkinson, 1983:163).

The discussion of the development and succession of policies over the pricing of Bass Strait crude oil in Australia illustrates the complexity associated with the maintenance of a pricing policy. The continual "tweaking" of the system over 20 years emphasises a form of "disjointed incrementalism" (Lindblom 1979) as a model most appropriate to describing the policy process. External forces such as OPEC policy and world "oil shocks" are also important influences on these policies.

The introduction of the RRT provides a case study of the interaction between policy actors. The preceding section has indicated at times that industry had influences on policy direction, the most striking example is the opposition to the Fraser government's RRT proposal. The commitment to consult, negotiate and debate the RRT with the industry was made clearly by Senator Walsh soon after the 1983 election. This contrasts with the almost ad hoc policy developments of the Fraser years, which while providing huge windfalls, necessarily led to complex adjustments to cover "loopholes".

The ALP's acceptance of the RRT proposal was enhanced by the view that resources (crude oil particularly) should provide benefits to all Australians. A suspicion of the intentions of oil corporate interests which permeated the Whitlam Cabinet, and particularly the perceptions of Whitlam's Energy Minister, Mr. Connor, was replaced by a desire to deliver rent more equitably to society (Saddler, 1981). The RRT was perceived as a vehicle by which benefits of offshore oil discoveries could be shared by the companies, the Government, and, indirectly of course, the Australian people.

#### 5:5 OFFSHORE HYDROCARBONS POLICY - A RESOURCE RENT TAX AND CASH BIDDING FOR TITLES: A CASE STUDY

The resource rent tax and cash bidding issues which form this case study of policy interaction concern the Commonwealth government's desire to increase the revenue it gains from offshore oil and gas developments (Bambrick 1985). Although the oil and gas interests, corporate bodies and the main industry group, the Australian Petroleum Exploration

Association, (APEA), tended to treat the issues of a Resource Rent Tax, (RRT), and Cash Bidding as separate, and indeed as mutually exclusive (APEA 1984), the Commonwealth government and the Minister(s) for Resources and Energy (Senator Peter Walsh 1983-84, Senator Gareth Evans 84-86) saw the two issues as closely related, both aimed at increasing the rent or return from offshore developments.

Much of the interaction related to differences between the major actors over first what the issues were, and second their effect on the exploration and production sectors of the petroleum sectors. APEA saw the RRT as a production tax that would act as a disincentive to further offshore drilling, notwithstanding the government's claim that the neutral character of the tax would not detract companies from undertaking drilling programmes. APEA, likewise, viewed the cash bidding proposal as an "upfront" taxation impost that would reduce the financial reserves available for a company's drilling programme. This claim was countered by the government who argued that the cash bidding policy would reduce the dissipation of rent occurring through the tendency for overly ambitious work programmes to be proposed for highly productive acreage.

These differences in perception were important influences on the interaction pattern within the issue community which developed following the emergence of these issues. Different patterns of interaction were experienced between the RRT and cash bidding issues. In both issues, however, this interaction between the oil and gas interest groups and the institutional actors had an important influence on the policy

output. Specific components of each of the revenue issues were modified as a result of the interaction between the industry groups and the institutions.

The structure of the issue community is itself important in the interaction process. Given the particular character of offshore petroleum revenue policy (discussed briefly in Chapter 3, and in more detail in a preceding section of this Chapter), the Commonwealth government has pre-eminence in this policy area. The revenues gained from royalties are shared between the Commonwealth and the States, (for example the Gippsland royalties are shared 60/40 between the Commonwealth and Victorian governments), (Stevenson 1977). As will become clear in the following discussion, the Commonwealth government wished to apply a similar RRT to onshore petroleum resource projects, but opposition from the State governments forestalled this option. The resistance of the State governments to the implementation of the RRT for onshore projects reduced the number of institutional actors involved in the interaction process, with obvious effects on the pattern of interaction.

The partisan character of both issues is also an important feature to identify early in the case study, as it influenced the interaction within the issue community. Previous discussion has identified the support for the concept of the RRT as being shared by both major political parties at different times, although the Australian Labor Party, (ALP), had a stronger commitment to the implementation of such a tax, and included it in the party's platform. Interestingly, although

the Liberal Party had considered imposing a RRT in the late 1970s, this party was critical of the Hawke government's decision to implement such a tax. The partisan character of the issues also meant that interaction was initiated as a result of pre-emptive institutional action, (from the Minister of Resources and Energy) rather than as a result of interaction initiated by user groups for changes to policy.

Discussion in the preceding Chapter dealing with fisheries policy has highlighted a different pattern of issue emergence. The petroleum revenue issues emerged directly from actions by the newly elected ALP Commonwealth government and interaction was initiated as a result of the decisions of the government to introduce these policies. Although the government (or, more specifically, the Minister) wanted to treat the two issues within the one package, the oil and gas interests groups wished to separate the two, first resolving what was perceived to be the major issue (the RRT), and then negotiating on the less important, (in terms of the oil explorers perspective), issue of cash bidding.

Interaction over these petroleum revenue issues focussed on the RRT from May 1983 (following the announcement that the Hawke government intended to implement the RRT) to the release of the RRT policy in June 1984. Following the implementation of the RRT the interaction focused on the cash bidding proposal which continued into late 1985 when legislation was finally passed. The cash bidding legislation that was passed applied to a limited area, much restricted in scope from its original intention, with a modified work programme bidding system, to remain for the majority of offshore waters in Australia.

The Resources Rent Tax, emerged from academic research carried out by Dr. Ross Garnaut and Professor Anthony Clunies-Ross. The publication of a paper entitled "Uncertainty, Risk Aversion and the Taxing of Natural Resource Projects" in the Economic Journal (1975) raised considerable debate, both in the academic community, the mining and petroleum sectors and government. Given the fact that the issue emerged from within the academic community, and that it heralded a radical departure from existing mineral or resource taxation practices, it was subject to a level of scrutiny, both theoretical and practical, that seldom occurs over policy proposals.

The original proposal by Garnaut and Clunies-Ross has been extended, and criticised, by a number of writers following the publication of the original paper, (for example see Garnaut, 1981, Ball and Bowers, 1984, Hockley, 1984, Fane and Smith, 1986). The RRT emerged from the primary "objective of Garnaut and Clunies Ross ... to design a tax that would have little effect on production and investment decisions while raising as much revenue as possible" (Ball and Bowers 1984:93) The RRT as proposed by the original authors was adopted by the New Guinea government, (called the Additional Profits Tax) and applied to Bouganville and the OK Tedi mining projects (Ball and Bowers 1984).

The RRT is a relatively straight forward concept and this simplicity is one of its benefits for the taxation of natural resources projects according to supporters of the tax (see Emerson 1980, Saddler 1981). As Ross Garnaut stated:

The tax is assessed by accumulating net cash flows at a specified interest rate (the threshold rate) and taxing positive accumulated value at a specified rate. Net cash flows



are subject to tax from time the time that accumulated value becomes positive. Provision is made for the recoupment of investment or of cash losses incurred after the RRT has been first paid. Should the net cash flow be negative in any year after the first liability for RRT, the accumulation process recommences and no tax is payable until the accumulated value of the net cash flow, from the first year of negative cash flow is again positive. (1981:31)

The RRT therefore has two parameters, first the concept of a tax threshold under which no tax would be paid and second a tax rate at which the revenue payable would be assessed once the threshold had been passed.

The RRT proposal was claimed by its authors to be a neutral tax, concerned with raising revenue from the rent or return gained from the profits of the project. As such it was claimed that the imposition of an RRT could never cause an desirable investment to become undesirable in the eye of the investor (Garnaut 1981). Ball and Bowers, critics of the RRT concept, claim that whether this objective of neutrality "has been designed into the actual RRT implemented by the Australian government is another matter" (1984:93 - see also Fane and Smith 1986). Ball and Bowers see the RRT as a tax on risk taking, claiming that it unfairly penalises the companies that would offset the losses of unsuccessful drilling with a successful strike, a key aspect of APEA's opposition to the imposition of the RRT.

Following the publication of the RRT proposal the Liberal-National Party coalition government was attracted to the RRT concept, with the then Prime Minister, Mr. Fraser, and the Treasurer, Mr. Lynch, supporting such a policy. The Treasurer indicated that the RRT had merit as a means of raising revenues on the large, excess (windfall) revenues gained from

Gippsland production due to the introduction of import parity pricing, IPP, and the subsequent rise in the world price for crude. The RRT was not part of the government's platform and was withdrawn from the agenda when opposition from the mining lobby intensified. The mining industry, including the petroleum sector, argued that the introduction of the RRT would have a disastrous effect on investor confidence during what was called the "resources boom", and also disputed the neutrality of the tax.

The flirtation with the RRT by the Fraser government was shortlived. Although the proposal was seen as a means of gaining windfall revenues from the increases in parity prices to offset budgetary problems the issue was never really considered once the extent of the opposition of the States and the industry became known. Instead of introducing the RRT the Fraser government made further adjustments to the revenue formula, described in an earlier section.

Although the L/NP government withdrew the proposal to introduce the RRT, the ALP had endorsed the concept and had placed it on the party's platform following the biennial ALP conference in 1977. This, in theory, meant that a future Labor government was committed to the implementation of the RRT. Following defeats in the elections in 1977 and 1980 a Labor government was elected, led by Mr. Hawke, in March 1983. Both Labor and Liberal parties had announced similar policies of reducing crude parity prices in the light of a decline in the world price during the election campaign, (see previous section). The RRT was therefore on the agenda and the mining and petroleum industry groups and

organisations waited for the announcement from the government regarding its intentions in this area.

Unlike the antagonistic relationship that had developed between the previous Labor government (1972-75), led by Mr Whitlam, and the mining and petroleum sectors, the Hawke government adopted a pragmatic approach, following its major platform of conciliation and consensus. Other issues took the attention of the newly elected government and the first announcement of the government's intention to implement the RRT was made in May 1983. The announcement indicated that the RRT would be implemented to take effect from July 1st 1984, and the Minister for Resources and Energy, Senator Walsh, emphasised that the RRT would not be implemented without extensive consultations with industry and corporate groups.

The ability of the Minister for Resources and Energy, Senator Walsh, to instil oil industry confidence in the the government is important as many of the companies were wary of the possibility of a return to the uncertainty of the Whitlam era where the industry was attacked by the Labor government and the policy environment was under stress by challenges to existing claims to sovereignty and jurisdiction in the territorial sea. The achievements of the Hawke government (and Walsh in particular) in providing a stable base for the relationship between the government and the industry is emphasised by the the fact that "much to the amazement of many oil companies who had suffered under the Whitlam government in the mid 70s, Senator Walsh translated the ALP platform into a workable arrangement for the oil industry" (Australian 25/3/85).

In June 1983 the Australian Minerals and Energy Council, (AMEC), met for the first time since the election of the Hawke government. AMEC, the Ministerial Council responsible for inter-governmental coordination of minerals and energy policy, discussed the Commonwealth's decision to implement the RRT. The opposition of some States forced the Commonwealth to redirect the RRT towards offshore resources, (where they retained pre-eminence in revenue policy), rather than involve lengthy litigation with the States over the introduction of the tax for terrestrial resources. As a result of this meeting the RRT would apply to offshore oil and gas but not coal as the Commonwealth had originally proposed.

Late in December 1983 the Commonwealth Government released a Discussion Paper on Resource Rent Tax in the Petroleum Sector. This paper contained a descriptions of the RRT, its component variables and the effect the RRT was perceived as having on the exploration industry. Industry was invited to comment on this proposal. In reply to this paper, BHP published its response titled The Resource Rent Tax: Risk and the Drilling Decision in January 1984. BHP argued that the imposition of an RRT may well encourage "low risk" investments by companies rather than the companies undertaking oil exploration. BHP stated that "given Australia's below world average potential for oil discovery the present "new oil" policy is necessary to ensure a satisfactory level of exploration. If a resource tax had already been in place the Jabiru well may not have been drilled". (Bambrick 1895:27)

Industry sources were, (according to media accounts) critical of the lack of discussion over the merits of the RRT over other systems of

revenue policy. The discussion paper did not provide any alternative options, regarded by the industry as locking them into interaction over the specifics rather than the general area of petroleum revenue policy. The industry claimed that the government had overlooked the most important issue, that being "what level of taxation is appropriate to attract the level of exploration needed to maintain a sufficient level of indigenous oil production?" (Aust. Fin. Review 24/1/84)

In January the Australian Financial Review published a series of articles on the RRT proposal, giving both Government and industry viewpoints, and placing the tax debate in the context of Australian federalism. These articles, titled "the oil-tax minefield" were written by Rick Wilkinson, a specialist writer on petroleum policy. The first article outlined the history of the RRT, the second gave the Commonwealth government's case for the RRT drawing attention to the opposition, or wariness from the States over the impact such a tax would have on their position in petroleum revenue raising. This opposition has been seen as a major influence on the limitation of the RRT to offshore areas. The third article in the series detailed the views of the petroleum industry with the series concluding with an assessment of the problems associated with the implementation of the tax by the proposed date of 1st July 1984.

The publication of the third article by the Financial Review coincided with the meeting between Senator Walsh and the representatives of the oil industry and individual companies called as a result of the release of the discussion paper. This meeting on the 24th

January 1984 is discussed in more detail in a following paragraph. The oil industry viewpoint expressed in the Financial Review argued that the present system of excise, royalties and tax, although not perfect, had taken 10 years of interaction to develop and was a suitable framework for the industry to operate within, given the high risk parameters in the oil exploration business. The industry, it was claimed, was against changing the tax regime as it would create a period of instability which would have the effect of creating uncertainty and therefore be a disincentive to undertake an exploration programme. The instability caused by the changes to the tax system would destroy the stable environment needed by the industry to make investment decisions (Aust. Fin. Rev. 24/1/84)..

The imposition of a tax regime to cover projects that had been developed and production brought "on stream" under previous, and opposing, tax structures to the RRT was questioned by the industry in this article. The retrospectivity of the proposed RRT was seen as unfair as many projects were developed as a result of conditions that were very different to the parameters of the proposed tax. Other commentators had argued that the imposition of rent taxes had usually preceded the development of projects and that this attempt by the government to impose a RRT on pre-existing developments was without precedent.

The concluding article in this series on the RRT argued that the time frame allowed for industry input was too short and that the agenda should be reset to give ample time for government scrutiny of the oil industry analysis of the tax, prepared in response to the original

discussion paper. This fourth article is illuminating for its perceptive comments regarding the interaction process;

the industry finds itself in a cleft stick. The oil companies main thrust to Senator Walsh and the Treasury is that the whole idea should be abandoned and the present system left well alone. However once the industry is drawn into a discussion of how to make the RRT fit, the assumption is that the new tax will be brought in [and] there is no further thought on the broader questions of whether it is the most suitable regime in the long term.

(Aust. Fin. Rev. 25/1/84)

Following the release of the government paper preliminary discussions were held between the Minister and the industry, (see above). This meeting, held on the 24th January 1984, was described as being a "round table" on the RRT proposal. Industry submissions on the December paper, which BHP had already published, were tabled. This meeting is important as it indicates the major actors in the interaction network and, more specifically, the key members of the issue community which arose over the RRT issue. The major petroleum industry organisation, APEA, was present as was the mining industry umbrella group, the Australian Mining Industry Council, AMIC. The following individual companies attended (all with extensive interests in offshore and/ or onshore oil and gas developments); Woodside, ESSO, BHP, CSR and SANTOS. Also at the meeting with the Minister were representatives of the DRE and the Treasury.

The National Times reported that although "each company was asked to prepare a paper in response to the Government's December discussion paper at the actual January meeting each company representative was

given five minutes to talk, after which the meeting degenerated into a bogged down discussion on exploration offsets, according to one participant" (Nat. Times 2-8/3/84). A statement released by the Minister following the meeting announced that the discussion had led to an "appreciation by each side of the other's point of view".

The result of this meeting was to enable the Commonwealth government to release a further paper, on the basis of the discussion with the industry on the incorporation of the exploration offsets for unsuccessful drilling in the RRT. This paper was entitled Effects on Exploration of a RRT with Full Exploration Loss Offsets. This paper was released in mid-February 1984. Following this paper, and as a result of the January discussions, APEA published Key Arguments Against a Resources Rent Tax. APEA circulated this paper to all members of federal parliament in March 1984, hoping to influence the Opposition and Democrat MPs to oppose the RRT when it was introduced as legislation.

The annual APEA Conference, regarded as the largest and most important gathering of the oil and gas industry in the Southern Hemisphere, was held in Hobart in April 1984. The issue of the RRT was a key topic among the major speakers. The keynote address was delivered by the Minister for Resources and Energy, Senator Walsh. The Minister, in announcing government policy objectives for the administration of the petroleum exploration programme in Australia, drew attention to the major issues concerning the industry (the RRT and the cash bidding proposal). The Minister recognised the impact of "the substantial political and technical difficulties [that] would be encountered in



applying the policy onshore. By the end of January [1984] it was apparent that these difficulties would jeopardise or preclude the intended commencement date - 1 July 1984. An intention was then stated to restrict the tax initially to offshore areas" (Walsh 1984:8).

Senator Walsh's address indicated that the industry opposition to the RRT was not as uniform as it may have been expected. He disputed the claim that the industry was totally opposed to the introduction of the RRT, stating that "industry opposition to the tax is not, as as most reports suggest, monolithic. At least five companies with substantial petroleum interest have supported the principle. Even recent APEA advertising has been directed against any extra or different tax on 'new oil', not against a rent tax per se" (Walsh 1984:8).

Although many of the delegates to the APEA conference may have expected the Minister to announce the proposed format of the RRT, Senator Walsh "hoped to be able to present those options (alternative forms of the RRT, including different offsets/subsidy factors), necessarily with details of tax, threshold and subsidy rates to the industry next week" (Walsh 1984:8). Walsh was critical of the industry's "apparent indifference to the offsets/subsidy proposal. I say apparent indifference because by no means all companies have offered an opinion (sic). Those which have seem to place little or no value on the subsidy proposal" (Walsh 1984:8).

Senator Walsh foreshadowed that if the industry did not support the inclusion of an exploration subsidy the government would consider a no subsidy proposal, but with a lower rate of tax than would otherwise be

applied (Walsh 1984). The Minister announced to the APEA conference delegates that he proposed to offer the industry the option of a lower tax rate and/or higher thresholds without subsidy, or a higher tax rate and/or lower thresholds with a subsidy.

The format of the RRT was announced in a joint press statement by Senator Walsh and the Treasurer, Mr. Keating. This statement, on the 18th of April 1984, announced the release of a paper entitled Outline of a Greenfields Resource Rent Tax in the Petroleum Sector. This paper summarised the proposed arrangements of the RRT, providing a focus for the interaction between interest groups and the government. Interaction from this period was centred on the fine tuning of the parameters of the tax, although some industry groups still warned of the disastrous effects such a tax would have on the exploration industry. The Bulletin (1/5/84) warned of the potential disruption that the RRT would cause to the drilling programme while the Business Review Weekly (5-11/5/84) stated that the "level of impost" was looming as the main issue between the oil and gas industry and the government. The BRW article reported that the tax rate was seen as the key component of the RRT by the oil explorers, citing comments by Bob Foster, a petroleum policy negotiator and analyst, of BHP.

Following a final round of industry negotiation as a result of the proposal released in April, the final character of the RRT was announced in a further, detailed, joint statement by the Minister for Resources and Energy, Senator Walsh, and the Treasurer, Mr. Keating, on the 27th June 1984. This statement, which detailed the mechanisms and operation

of the RRT was titled Resource Rent Tax in "Greenfields" Petroleum Projects, (see Appendix 2:3). The term greenfields may seem tautological in reference to offshore areas, however it does emphasise that the tax would only apply to new projects in areas that were not covered by existing production licenses, that is the RRT was excluded from the Gippsland and North west Shelf production areas. The imposition of a greenfields RRT occurred as a result of considerable industry opposition to the implementation of the tax to existing licence areas.

The statement announcing the imposition of the RRT from the 1st of July set the parameters of the tax which were the focus of considerable industry interaction in the previous months. As expected the key features of the tax, the tax rate and the threshold, were announced in the statement. The threshold was to be set at the Commonwealth long term bond rate, (at the time of the negotiations set at 14 per cent) plus 15 percentage points. The tax rate, the focus of key industry groups, was set at 40 percent. The impact of the interaction process on policy output can be seen in the differences between the outline proposal (April) and the statement of June. In the April paper the government proposed a threshold of the long term bond rate plus 10 percentage points and a tax rate of 45 percent. The government admitted in the July statement that its original position had been modified by the involvement of industry groups in negotiations over the issues.

The involvement of industry groups was not uniform, nor were the responses of these actors similar, during the interaction that occurred over the structure of the RRT. APEA's opposition to the RRT meant that

individual companies, less opposed to the imposition of the tax, undertook direct negotiations with the government. These individual companies had as their rationale the commitment of the government to impose the RRT and the claim that as such a tax was likely to be inevitable given the complex revenue policy that had pre-existed. BHP, having made a strike in the Timor Sea in the Jabiru field, which, at the time, looked highly prospective, was concerned that the parameters of the RRT should not reduce the viability of this development. BHP's interest in the parameters of the tax led to meetings with the Minister for Resources and Energy, attended by other corporate interests engaged in the offshore oil search. Such meetings were responsible for the setting of the tax rate at a level that was lower than originally forecast by the government. It has been argued that BHP were encouraged to negotiate over the RRT, and to focus on the tax rate, as the Jabiru discovery looked as if it would reach the production threshold soon after the Jabiru well became operational.

The statement of 27th June 1984 reinforced the failure of the Commonwealth's attempt to introduce the RRT for all offshore permit areas. Earlier strong opposition from the States and industry had made the RRT an offshore, rather than total taxation system. Further opposition restricted the RRT to greenfields projects. Such developments were those

offshore areas where the Commonwealth's Petroleum (Submerged Lands) Act applies, other than specified areas which will continue to be subject to excise and royalty arrangements. The excluded areas are those covered by production licences granted before 1st July 1984, and the permit areas from which those licences were drawn - specifically the Bass Strait and North

West Shelf production licence areas.

(DRE Statement, June 1984)

It is evident from published material and records of parliamentary debate in Hansard that the Commonwealth government would have liked to apply the RRT to the existing fields of Bass Strait, however opposition to this proposal from the industry, the State governments and Opposition parties in the parliament, particularly in the Senate, (which was to be crucial in the cash bidding issue) forestalled such an option.

On the 1st July 1984, following the introduction of the RRT, the new oil policy was officially abandoned. This policy had guaranteed producers full import parity prices for post 1975 discoveries, with no additional tax to the royalty and the company tax. In place of what had been termed the "new oil policy" the government announced the introduction of an oil excise for existing offshore fields

In October 1984 the announcement of a reduction in the level of excise for underdeveloped fields discovered before September 1975 was welcomed by the industry. September 1975 marked the date for major changes in revenue policy for petroleum, including the granting of parity pricing for fields discovered after this date (the new oil policy) which encouraged the development of new fields. Since these undeveloped fields were excluded from the RRT, and, given the then high level of world prices, the industry, (particularly ESSO as the Gippsland production area manager), supported the government's decision. ESSO later announced plans to develop the small Bream oil field with the construction of a production platform.

Although the State governments had been non-committal, or had rejected outright the concept of an onshore RRT, negotiations continued between the Commonwealth and individual States over petroleum revenue policy. The Commonwealth was keen to introduce a single taxation regime for the petroleum sector covering both the onshore and offshore production areas. As part of the continuing negotiations with the State governments, the Commonwealth and Western Australian governments reached an agreement over the development of a Resource Rent Royalty (RRR) to replace the complex royalty and excise system previously in place. The RRR was designed as a revenue measure for the Barrow Island production field, and was seen by the Commonwealth as a basis for the introduction of similar RRR, if the other States agreed with the system, in other areas.

The key aspects of the "Barrow Island" RRR were announced in a press release on the 25th June 1985, jointly made by the Premier of Western Australia and the Commonwealth Minister for Resources and Energy, Senator Evans. The RRR would be implemented as a result of the Commonwealth removing its crude oil excise and the State government removing its ad valorem royalty, (based on the value of the production). Revenues raised by the RRR would be shared on a ratio of 75/25 between the Commonwealth and the Western Australian governments. The statement announced that the RRR arrangements had been discussed with, and approved by, WAPET, the operator of the Barrow Island field.

The DRE statement said that this "new arrangement is an outstanding example of what can be achieved through co-operation rather than

competition between State and Federal governments" (DRE 49/85:2). The announcement stressed the benefits to the operating company through reductions in the rate of tax and added that WAPET had recognised the overall advantages of the new system and had co-operated fully in what was regarded as a major petroleum taxation reform.

The RRR was to be implemented through changes to both State and Commonwealth legislation, expected at the time to be undertaken later in the year (1985). The DRE stated that although the Western Australian legislation would only apply to the Barrow Island field, "the Commonwealth legislation would be general in nature offering all States to follow Western Australia's example by introducing a resources rent royalty" (DRE 49/85:2)

In October 1985 legislation for a RRR was introduced into Commonwealth parliament. This legislation, the Petroleum Revenue Excise Bill No. 2 1985, aimed at solving a number of problems, including the question of who has the prime impost in levelling taxes against (oil) producers: the States, on the one hand, with their royalty charge, or the Commonwealth, on the other, with its excise" (Aust. Fin. Rev. 18/10/85). The implementation of a RRR was seen as reducing the burden on producers, and by utilising a profits based tax regime, avoid reducing the viability of production operations. Under the Bill introduced in October the "Federal government will waive its crude oil excise wherever a State government produces an 'acceptable' RRR which it is prepared to share with the Commonwealth in an acceptable manner" (Aust Fin. Rev 18/10/ 85).

Following a seminar convened by APEA in February 1985, at which industry and government representatives discussed offshore oil and gas policy, APEA published a major policy document. This publication, Petroleum Policy in Australia: The Exploration Industry's Perspective is reproduced in Appendix II:4. This paper gives APEA's position on the RRT, to which it was critical as it felt that such taxes were counter to the incentives needed to encourage offshore developments. The paper outlined the organisation's position on cash bidding for offshore titles which, following the resolution of issues surrounding the RRT, was now firmly on the agenda.

As was discussed in an earlier section, the traditional method of allocating offshore titles in Australia followed what has been termed the work programme system. The permit was allocated to the company or consortium that was assessed as having the best programme of exploration for the permit on offer. The assessment of the work programme includes a number of criteria, although critics of the system claim that it is ambiguous and arbitrary in its operation, relying on some unquantified notion of a best programme. This assessment is undertaken by the designated authority, (the State government institution responsible for the day to day administration under the OCS petroleum package and the Petroleum (Submerged Lands) Acts), except in the waters of the Timor Sea around the Ashmore and Cartier Islands, where the Commonwealth government has direct jurisdiction. The Commonwealth's jurisdiction in the Timor Sea is an important factor in the subsequent interaction over the cash bidding issue, as will be discussed later. The potentially highly prospective Jabiru field is located near the Ashmore and Cartier Islands (Burmester 1985).



The intention of the Commonwealth government to proceed with the introduction of a cash bidding system for the allocation of offshore acreage was announced in the release of a discussion paper in January 1984. Senator Walsh emphasised the commitment of the government to introduce the system at the 1984 APEA conference, and stressed that "the system we have proposed would only apply to an extremely small proportion of the offshore area - the most highly prospective offshore areas and those vacant areas known to include petroleum discoveries" (Walsh 1984:4).

The cash bidding policy was introduced into federal parliament as an amendment to the existing Petroleum (Submerged Lands) legislation in early 1985. This legislation had as its major focus an alteration of the allocation mechanism for titles, where the title was to be evaluated according to a competitive bidding or auction system. The highest bidder for a particular permit would secure the title. The government saw this as increasing revenue from highly prospective areas and giving a greater return to the Australian people for allowing "private companies exclusive rights to explore and develop petroleum resources" (Emerson, 1984 - original emphasis). The government also saw the cash bidding system removing inequities from the allocation process and improving the ability of productive resources to be exploited by those groups most able to do so. The oil and gas interests, almost predictably, saw the proposal as an additional, up-front cost, objecting on the grounds that it occurred before any return was likely from the drilling, and second that it would reduce the financial reserves available to the company to carry out its programme.

These factors, APEA claimed, would lead to a decline in the offshore drilling programme due to the increased investment needed to put up a successful bid. The oil industry claimed that this expenditure would have to be deducted from the finance available for the exploration programme. The government instead argued that the cash bidding policy would save unnecessary expenditure on costly work programmes where initial expectations were not reinforced by the drilling results. The industry's opposition to cash bidding was a crucial factor in the pattern of interaction and the partisan and parliamentary actions that followed.

The government argued that the cash bidding proposal had benefit in several areas. The auction system gave the successful bidder greater freedom in the planning of the exploration programme. The removal of restrictions posed by the need for companies to follow work programmes and of unnecessary intervention by institutions in supervising these programmes, were seen as positive aspects of the proposed system. The oil companies could also alter the programme on the basis of information gained from the early drilling results which were not able to be made, if the work programme system was administered correctly.

The government saw the cash bidding system as removing the dissipation of rent caused by over ambitious work programmes as one of the benefits of the system. Companies exploring marginal areas under the work programme system may be committed to extensive expenditure through these programme bids while under the cash bidding system the government claimed that the bids in these areas would be lower, given the

availability of data and assessments of prospectivity that were available to the industry. The final argument that government used was in response to the industry's claim that the system would not work effectively. It pointed out that the system was used in allocation of titles in offshore areas in the USA, Canada and the United Kingdom.

The government announced its intention to proceed with the cash bidding issue (through legislation) at the APEA conference in March 1985. At this conference the proposal was opposed by APEA who argued that it was "another form of taxation in a country where taxes on the industry are among the highest in the world". APEA's concern was that the cash bidding policy affected the exploration phase of the oil search or resource development process which could have greater disincentive effects than a production tax which could be offset by the revenues gained through the sale of the production. Although the Bill was passed by the House of Representatives, opposition from the Liberal-National Party and Australian Democrat Senators was evident. This opposition meant that the passage of the Bill through the parliament was doubtful as the government lacked a majority in the Senate.

On the 28 March 1985 the second reading of the Petroleum (Submerged Lands) (Cash Bidding) Amendment Bill - the Cash Bidding Bill - began in the Senate. Debate was adjourned; however prior to the adjournment the Opposition and Democrat Senators had given notice that they opposed the Bill. Debate resumed on the 14th May when the then Democrat spokesman, Senator Jack Evans, argued strongly in support of APEA's position. With the agreement of the government, (through the Minister for Resources and

Energy, Senator Gareth Evans), the APEA information was incorporated in the formal record of debate. On the following day, 29 March 1985, debate concluded with the Democrat Senators combining with the Liberal/National Party to defeat the Bill. The oil and gas groups and companies where no doubt pleased with this result; however Senator Gareth Evans announced that the legislation may be reintroduced at a later date.

Senator Evans continued discussions with the industry and the Liberal, National and Democrat political parties following the defeat of the cash bidding Bill. Changes in the Senate membership following the 1984 half Senate election, where newly elected Senators took their seats in July 1985, was an important factor in the Commonwealth government's strategy. The election of Norm Sanders, a Democrat Senator from Tasmania, who replaced the defeated Jack Evans as Spokesman on Resources and Energy, was an important development. Sanders had lived and worked in the United States and was seen as being receptive to the cash bidding proposal by senior government advisors. It is likely that the government was aware of Sander's views on multinational oil companies and his involvement in environmental battles attempting to stop the erection of platforms off the Californian coast (N. Sanders pers. comm.).

In reintroducing the cash bidding Bill on the 6th November 1985 Senator Evans stated that

the government is reintroducing this Bill following further extensive examination of alternatives to cash bidding, and in particular attempts to identify suitable modifications to the traditional work programme bidding system. The end result of this evaluation, reinforced by industry's response to the proposed modification to the work programme system, has been to confirm in the government's view that, where competition is expected to be high, the cash bidding system is the most efficient and equitable means of awarding petroleum exploration

and exploitation rights.

(Hansard 6/11/85:1622)

The government therefore proposed to introduce cash bidding for highly prospective offshore acreage, retaining the work programme system, albeit modified by what has been described as the dry hole agreement, for other areas. The government argued that in highly prospective areas cash bidding was more appropriate according to a range of criteria including "economic efficiency, equity and administrative simplicity" (Hansard 6/11/85:1624).

In his second reading speech Senator Evans summarised the major modifications proposed to the work programme system;

in summary the proposed modifications which reflected many of the suggestions industry made earlier in the year, would require applicants to identify the minimum guaranteed "dry hole" exploration programmes and separate "supplementary" work programmes tied to the initial exploration

(Hansard 6/11/85:1623)

Cash bidding was initially intended to be implemented in areas solely administered by the Commonwealth. Extension of the system to the offshore adjacent areas of the States and Northern Territory was not to occur until a review of the system (after a two year period) had occurred. The initial area offered for cash bids was the adjacent area surrounding the Ashmore and Cartier Islands in the Timor Sea.

The debate in the Senate produced a significant amendment from the Democrats, who after opposing the initial cash bidding Bill in May split in their support of the new Bill (The Age 13/12/85). The Democrats moved an amendment to include a two year "sunset clause" in the Bill which meant that the cash bidding system would be given a two year trial period. The Age reported that in the Senate

debate over the cash bidding bill was bitter at times with the Opposition condemning those Democrats who changed their votes from May and gave the legislation the green light"  
(13/12/85)

Although passed, controversy continued over the Bill. Accusations of double dealing during the period between the initial defeat of the Bill and its subsequent re-introduction were levelled at the Democrats by the Opposition. Opposition MP's argued that the Democrats had agreed to support the cash bidding Bill in return for stronger Commonwealth intervention in environmental policy issues, chiefly the renewal of Tasmanian export woodchip licenses. This accusation was initially denied by both the Democrats and the Government, although subsequently Senator Sanders admitted in an interview published in The Mercury in April 1986 that he had attempted to gain concessions from the government in return for support for the cash bidding issue.

The passage of the cash bidding Bill through the Senate and its subsequent assent enabled the government to prepare to offer five highly prospective permits in the Timor Sea for cash bids. Late in 1985 the first permits to be offered under the modified work programme system were gazetted. These six permits were all in Western Australian waters and were areas that had been relinquished from initial permits. The applications for these permits were to close in April 1986. Permits for unallocated acreage in the Gippsland and Otway Basins in Bass Strait were released in early 1986. Permits for areas in the Bass Basin in Bass Strait using the modified work programme system were expected to be released in mid 1986.

The announcement of the first successful cash bid for a permit in Australian waters was made in mid July 1986. This permit, one of five in

the Timor Sea available for bidding, attracted one bid and was located 75 km southwest of the Jabiru discovery.

The period 1983-84 had witnessed the greatest changes to the revenue/taxation regime for offshore hydrocarbon resources since the initial development of the Gippsland revenue agreements. The interaction between the institutions responsible for introducing and implementing this regime, and the interest groups affected by the revenue policy changes, is analysed in the following section.

## PART B

### ACTORS, INTERACTION AND ISSUES.

#### 5:6 ANALYSIS OF THE DEVELOPMENT OF REVENUE POLICY IN THE OFFSHORE OIL AND GAS SECTOR.

The processing and implementation of the RRT and cash bidding policies indicates that first, oil and gas interest groups were important actors in the policy process, and that second, interaction between these interest groups and institutional policy actors had an important, if at times varying, effect on the policy output. The inclusion of corporate bodies, the oil exploration companies, in a broad definition of "interest groups" may be queried, however this follows the proposal made by Wootton (1970), that such bodies may be regarded as representing a particular "interest" in policy making.

One can usefully apply the issue community model as a means of contributing to the analysis of the development of these petroleum

policies although the pattern of interaction experienced may reflect conditions that are unique to these particular issues. The pattern of interaction, and indeed the structure of the issue community identified in this analysis can be compared with the interaction and issue community that arose out of the development of the fishery policy examined in the preceding Chapter, and provides an alternative empirical basis for the examination of the hypothesis proposed on the development of particular structures in the policy environment.

Interaction between the actors involved in the issues surrounding the development of the RRT and/or cash bidding policies incorporate two variables; the inter-relationships between actors and the effect that this can have on policy development (the issue community thesis), and second, the extent to which the interest groups were able to influence the policy output. The second variable involves an analysis of the policy process, incorporated and discussed in some detail by Richardson and Jordan who indicate that the emergence of an issue community policy style, (1979, see also Jordan, 1982) is closely related to the interaction between interest groups as policy is developed and implemented.

The following sections examine these variables and follow a similar structure to that employed in the previous chapter. The identification of the issue community and the examination of linkages between members of the community precedes an analysis of the interaction during the three phases of the policy process identified in Chapter Two. These phases correspond to the emergence and processing of issues and the



implementation of policy. The examination of the passage of the issue through the policy process occurs because the interaction between interest groups and institutions takes place within this process, and that the parameters of the process, including agenda control, can have a significant impact on policy output.

#### 5:6:1 The RRT and Cash Bidding Issue Community.

Unlike the fisheries issue community examined in the previous chapter, which involved a multiplicity of actors, the interaction surrounding the RRT and cash bidding issues involved a small number of highly organised and potentially powerful organisations and groups. These actors had strong views on the direction policy should take. Unlike the fisheries interest groups the oil and gas industry, while not always unified, was not fragmented into multiple interest groups. This lack of fragmentation was emphasised by the fact that the industry had a powerful umbrella organisation, the Australian Petroleum Exploration Association, (APEA), which was able to contribute significantly to the interaction process.

Although APEA's importance in the interaction over the RRT and cash bidding issues cannot be underestimated, (see previous discussion), it is equally important to emphasise that the oil and gas companies, some of whom were major forces in the Australian exploration industry, did not necessarily support the APEA line of argument. This was particularly obvious over interaction on the RRT issue. This is not unexpected, given the breadth of opinion in such a community. The groups which make up the umbrella organisation may not necessarily support the views

expressed by the larger organisation, as identified in the previous fisheries case study.

APEA's prime position within the issue community as a major industry spokesman is evident. APEA undertook much of the lobbying of the Government, Opposition and Democrat politicians, although individual companies were also active, albeit less visibly in interacting with other members of the issue community. It is evident that from the APEA conference in April 1984 that industry opinion on the RRT was not monolithic, nor united in its support for APEA's position of total opposition to the tax. While the cash bidding issue was more generally opposed by the industry, again the issue community was divided as APEA and individual companies negotiated over the issue. These negotiations resulting in the modifications to the work programme system and the restrictions of cash bidding to the Timor Sea permits.

The issue community comprised a number of other actors as well as APEA and the individual oil and gas exploration companies such as BHP, ESSO or WAPET. Although the same actors were involved in each issue one should refer to issue communities given that the RRT and cash bidding issue were treated by industry, if not by government, as separate issues. The membership of the issue community can be identified from the previous narrative although it is more convenient to delimit it as an inventory, simply listing the institutions and interest groups involved. Using a similar typology to that employed in the previous case study, the inventory is organised into classes using criteria which separates the actors on the basis of their function, and to a certain extent, their structure.

The inventory includes first the administrative agencies responsible for offshore oil and gas policy, second, the co-ordinating inter-governmental bodies, third the industry umbrella groups and finally the individual companies. The choice of these classes is somewhat arbitrary, (see previous chapter), but it does enable a delimitation of the actors to be made as well as conforming to a 'public - private continuum' of policy actors following the classification developed by Curnow and Wettenhall (1981), and Hague, Mackenzie and Barker (1975).

Figure 5:6

## Inventory of Oil and Gas Policy Actors

## Government

## Commonwealth

Department of Resources and Energy (DRE)

Bureau of Mineral Resources, Geology and Geophysics (BMR)

## Victoria

Oil and Gas Division, Office of Minerals and Energy,

Department of Industry, Technology and Resources

## Tasmania

Department of Mines

## Commonwealth-State Consultative Bodies

Australian Minerals and Energy Council (AMEC)

Offshore Petroleum Joint Authorities: Cth-Victoria  
Cth-Tasmania

## Industry Organisations

Australian Petroleum Exploration Association (APEA)

Australian Mineral Industry Council (AMIC)

## Oil and Gas Companies

Broken Hill Proprietary Co. (BHP), Gippsland Joint  
venturer with ESSO

ESSO (Australia)

Woodside

Santos

Wapet

The inventory comprising Figure 5:6 reinforces particular features of the policy environment in which oil and gas policy is determined and discussed previously. Given the Commonwealth government's particular responsibility for determining revenue policy for offshore petroleum resources the issue community, and the interaction within this community, is dominated by this tier of government. Although the State governments were involved in negotiations in the early phases of the RRT issue, the RRT was a Commonwealth government initiative and interaction remained focussed at this level. The involvement of the Western Australian government in the development of what was termed the Resource Rent Royalty, (RRR), also known as the Barrow Island agreement, emphasises the importance of the States in this policy area. The negotiations over the RRR in particular and the RRT specifically, illustrate the impact of inter-governmental relations in offshore petroleum policy.

The influence of offshore federalism has been discussed elsewhere, (see Chapter Three and earlier in this Chapter), with the inventory reflecting the overlaying responsibilities between Commonwealth and State governments in the administration of these resources. The effect of this particular aspect of Australian federalism in providing the potential for inter-governmental tensions in the management of resources in the territorial sea has emphasised the importance of coordinating or moderating institutions (Chapman 1985), (see Chapter Three for a discussion of the 1967 Petroleum Agreement, the 1973 Seas and Submerged Lands Act and the OCS). Much of the intergovernmental disputation which arose over these tests of sovereignty was resolved through moderating institutions. These institutions such as the Premiers Conference or,

more particularly, the Ministerial Councils such as AMEC, serve to channel formal discussions between the tiers of government over policy.

This brokerage role adopted by the moderating institutions in resolving inter-governmental tensions or disputes may also be utilised by Commonwealth or State institutions. Although it is reasonable to expect that the oil and gas interest groups such as APEA, or even the individual companies, would have a sound knowledge of the political and legislative process, these institutions may have to resolve conflicts between competing or differing groups. This brokerage role is less evident in this case study than in the interaction over the scallop fishery as much of this interaction occurred at the informal level, discussed in detail subsequently. Other factors which may have contributed to a decline in brokerage between different groups include the pattern of issue emergence. The Commonwealth government placed the issues on the agenda which as well as focussing debate on specific issues, (a cause of some complaint within oil and gas interest groups), reduced the possibility of interaction on general issues of resource taxation. Such discussion of the range of taxation regimes available for offshore petroleum resources would no doubt heighten differences within the non-institutional actors.

The location of the major offshore oil and gas projects in Australia also influences the structure of the inventory and also the membership of the issue community. The State governments of Victoria and Western Australia are the administrators of the major production areas comprising Bass Strait (the focus of this study) and Barrow Island and

the North West Shelf respectively. The complexity of inter - state interaction (a major aspect of the interaction over the scallop fishery issues) is lacking in this case study, although as Prescott (1982) considers a major discovery of hydrocarbons on a boundary between the States, (i.e) along the 39°12' Lat. South baseline in Bass Strait, would be bound to create a slight "flurry" of interaction between the governments concerned.

The complexity of the issue community is reduced since responsibility for policy making is less clouded than in fisheries policy. Revenue policy for offshore petroleum policy products is determined by the Commonwealth although the ad valorem royalties from production are shared with the States, as determined by the 1967 Agreement (Stevenson 1977, ACIR 1984, Church 1985, - see also Chapter Three).

The final feature of the inventory worth commenting on is the fact that the number of non-institutional actors is relatively small. Although there are a large number of corporate interests active in the oil search in Australia, few of them are major figures in these developments. Given the high risks involved in the oil search many of the projects are operated by consortiums, with relatively few large corporate bodies such as BHP, SANTOS or WAPET operating as individual permit or joint production license holders.

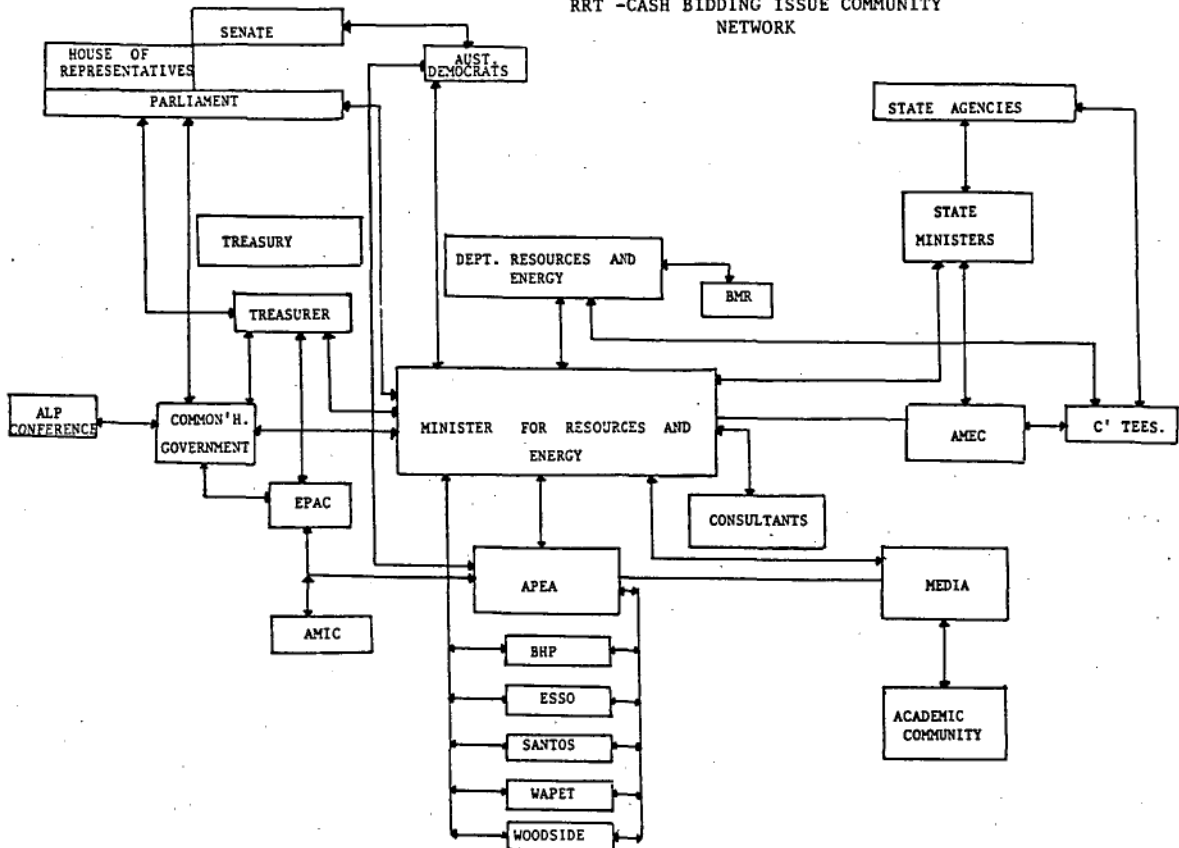
The linkages between the different actors forming the issue community are important, and fundamental to the process of interaction.

Although it is difficult to represent the dynamic nature of this process, the depiction of the network arising from the inter-relationships between actors can provide a means of analysing the linkages within the community, indicating interaction over the particular issue(s) on the agenda. The problems in developing and depicting such linkage networks are discussed in some detail in the preceding Chapter, however it is worthwhile reiterating the distinction between interaction through the formal linkages as opposed to the informal links between the institutional-political sector and the industry or resource user groups. While the former networks can be identified, one can only postulate at the impact of the latter type of linkages. Given the specialised nature of the industry and the similar expertise shared between administrators and corporate actors, links are no doubt made between industry and government. The Oil and Gas Division of the Office of Minerals and Energy, (Victoria), encourages secondments for its staff to and from industry to enhance co-operation, and is an example of how such informal linkages can be developed.

The network that arose out of the interaction over the RRT/ cash bidding issues is depicted in Fig.5:7, following. The network is based on the formal interaction identified in the preceding description of the interaction over these issues, although it is likely that, in addition to this formal network, there were extensive informal contacts between the office of the Minister for Resources and Energy and the industry. The interaction and the interrelationships between actors are shown through arrows, this diagram is an analytical device rather than an attempt to show the relative influence of any actor or groups of

actors. Evidence tends to indicate that the negotiators from BHP were particularly active in attempting to reduce the tax rate of the RRT, however it is beyond the scope of this study to provide an assessment of the relative importance of each of the groups or non-institutional actors on the policy process or policy output.

FIGURE 5:7  
RRT -CASH BIDDING ISSUE COMMUNITY  
NETWORK



The network identified in Fig. 5.7 involves a range of actors including, as is clear from the preceding case study, the media, political parties, the academic community as well as those actors readily identifiable with the issues; the government and bureaucratic actors responsible for resource management and the resource user groups or companies affected by these management decisions. The focal point of



this network is the office of the Minister for Resources and Energy, rather than a specific policy structure. The Minister for Resources and Energy was responsible for the introduction of the issues onto the political and policy agendas and the management of the cash bidding legislation through parliament. The existence of a particular focus of industry interaction provided by the Minister for Resources and Energy is an important feature of these issue communities.

The network indicates the linkages that arose out of the interaction concerning the emergence, processing and implementation phases of the policy process. The complexity of the linkages in the community arises in part from the legislative dimension of the cash bidding issue. The implementation of the cash bidding proposal, through amendments to existing legislation, involved interaction between the government and other political parties within the parliament. In addition the partisan character of both issues, (the RRT was developed as part of the ALP party platform), incorporates actors such as the party conference in the issue community. It is clear that this latter actor had limited impact in the interaction process, however it was an important agent in the emergence of the issue.

The inclusion of the academic community in the network occurred as, unlike the scallop fishery case study, the RRT and cash bidding issues received considerable attention from this set of actors. This academic interest and attention arose out of the origins of the Garnaut and Clunies-Ross proposal for a RRT in an academic journal, and the economic and political significance of the proposed policy changes. The

case study has indicated that the the issue had extensive media coverage, most notably in what can be regarded as the specialist mining or financial press.

The network also incorporates the major petroleum and mining industry groups such as APEA and AMIC. APEA's role in representing the petroleum exploration industry has been discussed previously. AMIC, the Australian Mining Industry Council, although combining with APEA on a submission to EPAC, (the Commonwealth government's Economic Planning and Advisory Council), was less concerned with either the RRT or cash bidding once the constitutional difficulties of applying the policies on shore became apparent. These constitutional constraints arose out of the unwillingness of the States to impose RRT for onshore petroleum or, of concern to AMIC, for coal mining.

The industry groups, including the individual exploration companies, were, unlike the fishery groups in the previous case study, consistently active in the interaction process. This does not imply that this issue community was any more unified, indeed APEA's position as industry voice was undermined somewhat by individual companies negotiating directly with the Minister for Resources and Energy. It does indicate, however, the emergence of an issue community policy style. This interaction remained focussed between government and industry groups, not involving inter-governmental interaction, (either Ministerial or administrative) to the same extent as observed in the scallop management case study.

The differences in opinion between industry groups may have been

less apparent than in the issue community which developed around the fisheries issues examined in the previous chapter, however it is important to note that there was a lack of co-ordination between APEA and some of its member companies. Dissention among the industry was first apparent following the APEA conference in 1984, where the Minister for Resources and Energy (Senator Walsh) drew attention to the involvement of several companies in direct negotiations with the government. The involvement of BHP in the RRT negotiations and, later, WAPET in the development of the RRR, indicate the problems faced by industry organisations in accurately representing all aspects of industry opinion. In the petroleum exploration industry the attitudes of the small and medium sized companies (an classification widely used in the industry) may not be held to the same degree by larger, more financially independent companies.

APEA tended to gain more committed support from the smaller companies in its campaign against the implementation of the proposed changes to petroleum revenue policy. Support from the smaller operations was given to APEA's stand on the RRT, however the smaller companies were particularly supportive of APEA during the cash bidding interaction. These companies tend to rely more heavily on the advice and lobbying provided by APEA than the larger companies whose size, financial base and technical or research expertise (including policy analysis) gives them independence from the industry organisation. This independence may lead to individual companies providing different input into the policy process, and, as was experienced in the interaction over the RRT, becoming involved in negotiations when the industry association had remained opposed to the tax.

The reduced level of involvement from the State governments (or their administrative agencies) is a particular feature of this issue community. The reduced level of interaction by the States enabled a lessening of the frequent problems of coordination, and reduced the time taken for implementation in a policy area that involves overlays in responsibility between the tiers of government. Although the opposition from the States forestalled the Commonwealth government in its attempt to introduce a "blanket RRT" for all petroleum production (and originally coal as well), the introduction of the RRR legislation indicates the importance interaction between the tiers of government in the development of petroleum revenue policy.

The reduced impact of the States meant that the interaction process occurred between the Minister for Resources and Energy and the industry (at key times the interaction involved individual companies. There are a number of reasons for this style of interaction and the institutional structure which fostered it. A major reason is that only two States at present have offshore production facilities (Victoria's Gippsland Basin fields and Western Australia's Barrow Island and North-West Shelf). Once the RRT was restricted to the offshore petroleum exploration, a decision made quickly after the meeting of AMEC, the involvement of the States was less significant. A key factor in contributing to the State's opposition was the fact that their ad valorem royalties derived from production would be replaced by a revenue share of the RRT.

The existence of overlays in responsibility between the tiers of government in Australia over marine resource policy has been highlighted

in this study. The argument that these overlays enhance the interaction process, (Ziegler 1980), are less clearly shown in this particular case study, as the Commonwealth moved to reduce the level of inter-governmental interaction over the tax. Given the history of tension between the Commonwealth and the State governments over issues of jurisdiction and sovereignty in the territorial sea, (see Chapter Three) the decision to restrict the RRT to offshore petroleum resources may have been made to restrict the potential disruption caused by attempting to impose the RRT as a total taxation (including onshore production) system. This action would have inevitably lengthened the period of interaction past the government's preferred deadline.

An important element in the interaction was the cordial relations developed between the different actors. The media and industry commentators contrasted the Hawke government's dealings with the petroleum industry, with the disastrous relationship the industry had "enjoyed" with the Whitlam Labor government in the early 1970s. Interviews undertaken for this case study with BHP's policy analysts indicated that they welcomed the negotiations introduced by the Hawke government, contrasting them with the attempts at industry involvement by the Whitlam, and perhaps surprisingly, the Fraser governments. These interviews indicated that although these company representatives may have disagreed with the proposals developed by the government they appreciated the use of discussion papers as it enabled them to know what item was to be discussed.

The interest and close proximity of the Minister to the negotiations gained the approval of the industry. The industry commended

the Ministers for Resources and Energy in the Hawke government's Ministries, (Senator Walsh and Senator Evans) on their ability to master their portfolios. Walsh had a short period in office before beginning negotiations on the RRT, Evans similarly faced a steep "learning curve" after taking on the portfolio, being responsible for the interaction over the cash bidding issue. It is interesting to note that the BHP representatives placed great store on the Minister being able to grasp the complexities of the policies they were responsible for. Part of the Minister's role according to these sources was to assess the data provided by the DRE and if necessary reject it. These interviews indicated wariness over the inordinate influence of the bureaucracy when a Minister is unfamiliar with his portfolio, restricting his ability to accept industry opinion which may have differed from the departmental viewpoint.

#### 5:6:2 The Policy Process, Interaction and the Development of the RRT and Cash Bidding Policies.

Earlier discussion has examined aspects of policy analysis, particularly the concept of the policy process or, in Hogwood and Peters' terminology, the policy cycle (see Chapter's Two and Four). This process or cycle can be seen as the mechanism by which issues, actions or decisions become policies, the latter differentiated from the former by a policy's authority, legitimacy and action orientation (Kerr 1976, Bullock et al 1983, Hogwood and Peters 1983, Hogwood and Gunn 1984, Ham and Hill 1985). While considerable literature has analysed the policy process and its components this study has viewed the policy process as

setting major parameters in which the interaction between different policy actors, as members of an issue community takes place. In the study of interaction during the policy process the process was seen to contain three phases; issue emergence, issue processing and implementation of policy.

Analysing the interaction between actors comprising the the RRT/cash bidding issue community, (described earlier), can further enhance the the understanding of the impact of these relationships and linkages within the interaction network on the development and implementation of policy.

The RRT, and later, the cash bidding, issue emerged as a result of decisions made by the Hawke Labor Cabinet and Government to implement part of its platform on natural resources and energy. This platform committed the government to increasing the level of return to the Australian people from these resource projects. The issues did not emerge into the political arena from traditional "pressure group politics" where interest groups successfully agitated for the placement of specific issues on the agenda, but were imposed on these interest groups by the institutions responsible for setting the policy agenda.

One of the strengths of the issue community thesis is its rejection of the traditional "demand articulation" role of interest groups (Jenkins 1978), arguing that increasingly these groups are involved in all phases of the policy process, including the implementation of policy (Richardson and Jordan 1979, see also Chapter Two). Richardson and Jordan do however acknowledge the importance of

interest groups and particularly relevant in this case study, political parties, in the identification of issues (1979). The potential for political parties to gain power and implement their platform can be attractive to interest groups who may engage in what has been recently termed "issue packaging" (Hogan 1986).

The partisan nature of the emergence of the RRT and cash bidding issues focusses attention on the issue identification role of political parties. Although Richardson and Jordan view the interaction process as being a better determinant of policy outcomes than the analysis of party platforms or manifestos (1979), the actions of the Hawke government stress the importance of such platforms on specific issue agendas or issue communities.

The pattern of the emergence of these issues provides support for Ziegler's (1980) view that the interaction between interest groups and institutional actors occurs as a result of action by these institutional actors rather than being initiated from the interest group. Ziegler claims that

more significant is a policy process model which reverses the notion of demands and responses. Governmental and non-governmental experts develop policy proposals which are then responded by broader segments of the public, including the most visibly responsive interest groups. A few groups, those with technical resources, are involved in the development of policy. Most groups participate only in response to policy.  
(1980:16)

The pattern of issue emergence is particularly clear. The issues concerned with petroleum revenue policy were placed on the agenda as a result of a change in government, the election of a party committed to



overhauling the existing petroleum taxation regime. Such a pattern of issue emergence (which can be conveniently labelled the "top down" approach) contrasts with the fisheries issue discussed previously, which arose, in part, from agitation from the user groups concerned with the management of the fishery. In similar terms the emergence of the scallop management issue can be characterised as a pattern of "bottom up" interaction.

The non-institutional actors did, however, have some influence in the structure of the issue agenda even if their influence in agenda-setting was minimal. The Government, through the Minister for Resources and Energy, regarded the RRT and the cash bidding issues as closely related, part of a coordinated initiative proposing increased return or economic rent for these resources. Industry, in contrast, argued that the issues were distinct and should be dealt with separately. Industry claims that the RRT was incompatible with the cash bidding proposal, were never seriously entertained by the government. The Minister did agree to the industry's proposal to settle the RRT prior to negotiating the cash bidding issue, indicating that in some cases these groups had an impact on the structure of the agenda.

The particular features associated with the emergence of the issues had, as could be expected, important influences on the interaction during subsequent phases of the process. In these latter phases, particularly the processing phase concerned with the development of the policy proposal prior to implementation, the interest groups and corporate bodies were in effect continually responding to government

initiatives. This enabled the institutional actors, chiefly the Minister for Resources and Energy, to maintain tight control over the interaction process during the latter phases of the policy process.

The announcement in May 1983 of the government's intention to implement the RRT placed this issue on the agenda and initiated the second phase of the policy process. The level of interaction was increased in December 1983 following the publication of the government's discussion paper on the RRT. The publication of the government's position paper set the basis for the subsequent interaction between the different actors during this phase of the process.

The government followed the initial discussion paper with a second in February 1984 concerned with the provision of exploration offsets. In April 1984 the government released a further discussion paper which contained an outline of the proposed "greenfields" RRT. Following further negotiation the final format of the RRT was released via a statement issued jointly by the Minister for Resources and Energy and the Treasurer in late June 1984. Industry responded to each of these papers, the first government discussion paper invited the industry to provide written submissions as well as to attend a meeting to discuss the RRT. Several companies provided these submissions. As is evident from the earlier discussion BHP published its response to the proposed RRT. APEA, likewise, published a major paper in response to the government's papers and the meeting held between the Minister and industry and company representatives held in January. APEA's paper argued strongly against the imposition of the RRT.

The formalising of the interaction process through the use of discussion papers and submissions is an important feature of this phase in the development of the policy. The media reported that some industry sources were unhappy at being "locked in" to the discussion of the specific issues related to the government's proposed RRT rather than being able to discuss broader questions surrounding the taxation of these resources.

The maintenance of a focus for the interaction during this phase of the process avoided long and interminable discussion on generalities. In response to this control imposed by the government negotiators the industry groups, particularly APEA, attempted to broaden the membership of the issue community to include the Liberal-National Party opposition and Australian Democrat political parties. Although unsuccessful in involving these actors in interaction over the RRT, APEA was able to include these actors in the processing of the cash bidding issue.

The announcement of the government's intention to implement the cash bidding system for the allocation of offshore titles emerged onto the agenda in January 1984, immediately prior to a key meeting over the RRT. The system of cash bidding was chosen over alternative allocation systems as these were seen as incompatible with the RRT, currently under negotiation (Aust. Fin. Rev. 24/1/84).

The processing of the cash bidding issue, begun in earnest following the finalisation of the structure of the RRT, involved a less lengthy period of interaction. Following initial industry interaction the proposal for cash bidding was introduced into Federal Parliament as

an amendment to the Petroleum (Submerged Lands) Act, providing a different arena for interaction. APEA lobbied the Senate since the Upper House held a majority of non-government members, and could overturn or encourage the government to substantially modify the legislation. APEA concentrated on convincing the Democrats that the cash bidding Bill would restrict offshore exploration and particularly harm the smaller companies undertaking exploration as they may not have the financial resources to compete in the auction of titles. From the earlier discussion it is apparent that APEA strategy was initially successful, with the Democrats and Opposition Senators combining to torpedo the Bill in March 1985.

The processing of the cash bidding issue illustrates to a degree the utility of Lowi's "arenas of power" argument (1964, 1970, 1972). Lowi argues that different policies lead to different patterns of interaction between the actors. The responses in turn provide different arenas within which the interaction process takes place (Lowi 1964). Using the concepts developed by Lowi one can see that the RRT issue was negotiated outside the parliament (one particular arena), the cash bidding issue, although involving actors from "outside" parliament, contained significant interaction inside the parliament (an alternative arena). Interestingly the introduction of the cash bidding Bill into the parliament reduced the chance of active involvement of the interest groups and other non-parliamentary actors but at the same time broadened the membership of the issue community.

An important influence on the interaction over the processing of cash bidding policy was the fact that industry was more united in

its opposition to the policy. Most companies regarded this form of title allocation as an additional cost at a time when the particular project may have a limited possibility of proving viable. The industry argued that the move to auction style bidding would reduce the amount of finance available for the drilling programme, although this would obviously relate to the size of the company, its financial base, and any "farm-out" agreements it had entered into over the permit. Interviews with representatives of BHP indicated that the larger companies were less affected by cash flow problems which may arise out of this system of bidding. Part of the government's counter to this opposition was that even in titles allocated under work programmes "farm-in" agreements were common to complete the exploration programme.

The fact that APEA had submissions incorporated into Hansard indicates the extent to which the organisation was successful in gaining access to this arena. The Democrat spokesman (opposing the Bill in May 1985) included aspects of APEA's submission, and the Minister for Resources and Energy, (Senator Gareth Evans), leading the government support for the Bill, moved to incorporate his reply to APEA's submission in debates during the introduction of the Bill. (Hansard 15/5/1985:1956).

Following the initial rejection of the Bill the government continued negotiations with industry, the "dry hole" work programme being the major result of this interaction. The reintroduction of the Bill into the Senate in December 1985 provided further modifications, chiefly the Democrat initiated amendment of a two year "sunset clause", to the Bill.

The successful passage of the cash bidding Bill in late 1985 indicates that the policy interaction process can involve a range of factors. These factors may be less concerned with the issue than with the dynamics of the political-legislative system, or interest group and political party interaction. The latter phases of processing the cash bidding Bill involved the Government reiterating the implementation of cash bidding to highly prospective areas under sole Commonwealth control, (in effect restricting the policy to permits in the Timor Sea), the addition of the dry-hole modifications to the work programme and finally, and perhaps the most influential, changes in the membership of the Democrat Senate team. The passage of the cash bidding policy emphasises the importance of legislative process on policy outcomes and the extent to which this process can influence the interaction among, and membership of, the issue community.

The interaction during the implementation phase of the policy process is traditionally seen as enabling institutions to fine-tune the policy, using interest groups or interested parties and individuals to act as "sounding boards" for the policy makers (Matthews 1976, 1980, see also Chapter 2 and 4). The processes involved in the implementation of the two issues examined in this case study were different. This was not unexpected given the different patterns of processing between the RRT and the cash bidding issues.

The differences in the implementation of the two policies are highlighted by enactment of the cash bidding legislation following its assent in late December 1985. The first permits allocated under the

system (in the Timor Sea) were made in June 1986. In contrast, as yet the RRT has not been incorporated into legislation, although such a tax will be levied on any greenfields project initiated after the 1st July 1984.

#### 5:7 INTEREST GROUPS AND INSTITUTIONS - THE INTERACTION OVER REVENUE POLICIES FOR OFFSHORE HYDROCARBONS RESOURCES.

This analysis of the development of the RRT and cash bidding policies highlights the influence of the interaction among the actors comprising the issue community. This interaction arises as issues emerge and the processing, and later implementation, of policy occurs. The case study indicates that the interest groups and other non-institutional bodies are important actors within the policy process. The involvement of these groups in the latter phases of the policy process supports the underlying theme of the Richardson and Jordan's model; the concept that policy is developed by institutions in conjunction with these groups.

The impact of the oil and gas interest groups on the policy outputs, (initiating changes to the parameters of the RRT and influencing the introduction of a dry hole work programme system in conjunction with the cash bidding proposal), was quite substantial. The non-institutional members of these issue communities had access to financial resources to mount strong lobbying campaigns. These actors had a good working knowledge of "the corridors of power" which increased their influence. Interaction was enhanced by the government's commitment to the RRT and cash bidding issues and the government's

desire to include the industry in negotiations over these initiatives. This allowed considerable input from the industry into the policy process. It is also interesting that the case study indicates that the bureaucracy played a reduced role in the interaction process, providing advice to the Minister(s) but retaining a secondary role to the Minister and his specialist advisors, (including consultants).

This case study supports Schattschneider's view that the relative strengths of the participants in the policy process are a major influence in the interaction process, since these strengths are known in advance (1960). The oil and gas interest groups gained "strength" from their understanding of the political system, and as a result of having had a long period of involvement with government over the management of these resources, were able to maximise the impact of their involvement (or interaction) in the policy process. These factors contributed to the particular pattern of interaction experienced over these issues which contrasts with the pattern of interaction experienced in the fisheries case study. Part of an explanation of these differences, (to be considered in greater detail in the conclusion of the thesis), may be gained from Schattschneider's view on the policy process. Schattschneider states "powerful interests ... want private settlements, whereas the weak, the losers in private conflicts go to the government [and] involve the wider public" (1960:39).

The case study of the RRT and cash bidding issues illustrates a number of factors concerning interaction among different policy actors. The first point is that this interaction is influenced by features



of the broader political system (the impact of the legislative system, for example). Second, the interest groups can influence what can be termed the policy output through this interaction. Third, the concept of the issue community allows the analysis of the interaction within what can be seen as a network of relationships between policy actors.

CHAPTER SIX  
CONCLUSION:  
THE DEVELOPMENT OF MARINE  
RESOURCES POLICY

POLICY INTERACTION, THE ISSUE COMMUNITY AND THE CASE STUDIES

6:1 INTRODUCTION

This thesis has examined the interaction between policy actors, as a factor influencing the development and implementation of specific marine resource policies. The analysis of issues underlying the management of fisheries and offshore hydrocarbons policy has been undertaken utilising a framework derived from public policy literature. As previously noted the study of Australian marine policy has been somewhat neglected by public policy analysts, perhaps surprisingly considering the importance of Australia's "maritime interests" (Bateman and Ward 1985), The thesis attempts to indicate the utility of such an approach in contributing to an understanding of how and why such marine resource policies were developed (Haward 1986 -emphasis added).

The thesis utilises the issue community model developed by Richardson and Jordan (1979), as discussed in Chapter Two, to examine the inter-relationships between institutions and interest groups emerging from what Richardson and Jordan call a 'shared concern over specific policy areas'. These inter-relationships foster interaction between actors concerned with policy development. The analytical framework arose from a premise that non-institutional actors, chiefly resource-user interest groups, were important contributors in shaping

public policy. From this premise a proposition was developed that, given the involvement of such interest groups, and as a result of limitations in the existing institutional structure within the policy environment to adequately represent such actors, such interaction will .... create new structures within the institutional framework in order to deal adequately with representative non-institutional interests, chiefly from the principal resource-user groups ....(see Chapter Two).

This proposition was examined in detail via case studies of specific issues relating to marine resources of Bass Strait. Case studies involving the introduction of a management regime for the scallop fishery of Bass Strait and the introduction of a Resource Rent Tax, (RRT) and cash bidding relating to the "return" gained from the exploitation of offshore oil and gas resources, provided an empirical base from which to analyse interaction between different policy actors. Bass Strait provided a suitable spatial focus for this analysis as it supports a diverse, yet significant, fishery (22% of Australian live weight production and 25% of Australian value of production, (Archer Report 1982), in addition to a major oil and gas production system (McKay 1985). Bass Strait also contains the sole maritime domestic (i.e. interstate) boundary in Australia, separating the States of Tasmania and Victoria. The presence of such a boundary creates complexities in the policy environment in which decisions relating to the management of marine resources are made, as policies for the Strait may involve overlaying responsibilities between different jurisdictions in a federal system of government.

Prior to presenting details of the fisheries and offshore oil and gas policy case studies, the third chapter of the thesis examined the characteristics of this policy environment. This analysis highlighted the complexity, and implication for policy, of the evolution of what has been termed "Australian offshore federalism" (Cullen 1985). The variables which make up the policy environment, and give offshore federalism a particular character, are first constitutional and legislative framework, and second the structure and function of the political and administrative institutions responsible for marine resource management, operating within such frameworks.

The most significant feature of the current constitutional and legislative framework underpinning the development of marine resources policy was the introduction of what became known as the Offshore Constitutional Settlement (OCS). The OCS provides the cornerstone of marine resources policy making in the 1980s. Despite its title the OCS was a political settlement of constitutional questions regarding the "head of power" in the territorial sea, through the device of Section 51 xxxviii of the Constitution. Of importance to this study was the impact of the OCS in reinforcing State control within three miles of the low water mark and providing a cooperative decision making framework and legislative packages (regimes) for both fisheries and hydrocarbons.

This policy environment provides the background to the development of specific policy areas, discussed in Chapters Four and Five. These case studies were in two parts, a narrative of the development of the policy followed by an analysis which provides an insight into the

operation of the interaction network arising out of inter-relationships within the issue community.

## 6:2 ISSUE COMMUNITIES AND MARINE RESOURCE POLICY: Evidence from the empirical analysis.

Empirical analysis of the fisheries and oil and gas policy areas provides some interesting conclusions about the impact of interaction within the issue community on policy development and output. This analysis also provides a means of examining the impact of such interaction on the creation of particular policy structures, resulting from such policy style.

It is argued that, as a result of the involvement of non institutional actors (resource user groups) in the policy process with the emergence of an issue community style of policy making and limitations in the existing institutional framework responsible for policy development, specific structures incorporating these resource user groups should be evident in the policy process. Such a structure is evident in the fishery case study, but not in the oil and gas case study. The possible reasons for this, and its implications, will be considered later.

### 6.2.1 The Scallop Fishery Management Regime

The creation of the Bass Strait Scallop Task Force, incorporating representatives of the resource user groups and State management agencies, had, as has been discussed previously, an important impact on the development of a scallop fishery policy for Bass Strait. The scallop

Task Force illustrates the impact of the interaction of resource user groups in the policy process. This particular policy structure arose out of the failure of the existing institutional framework to resolve conflicts between the different actors. These factors are emphasised by Pontin and Millington who claim that

[w]ith representatives from industry and government, the Task Force was designed to increase consultation between all interest groups ..... [with an] aim ... to develop a management regime to protect the resource and maintain efficient fishing operations and a viable fishery for the participants ... The Task Force had to meet these aims while trying to reconcile the differences both within and between the States.  
(1985:4)

The Task Force provides therefore an example of "the proliferation of institutions and processes to enable the necessary accomodation [and] adjustment of respective interests", (Richardson and Jordan 1979:172), arising out of the interaction within issue communities.

The issue community which arose as a result of the interaction during the emergence, processing and implementation of the scallop management regime contained two key factors which influenced the development of this particular policy. The first is that the multiplicity of actors comprising the interaction network gave the issue community a particular complexity. This complexity was enhanced by the second factor that the issues involved interaction between resource users and institutions from different, and to a certain degree overlaying, jurisdictions. Although at times the interaction within the scallop fishery issue community was less concerned with the resource user group's input than the over-riding intergovernmental considerations, these groups did provide a significant impact in the

policy process. The resource user groups contributed to, and were a prime reason for the success of, the "Task Force" and also had considerable involvement in interaction at the State level. Fishermen's agitation for a review of management of the fishery resulted in the introduction of the Interim Management Regime in late 1983 and was directly responsible for the implementation of the zoning regime rather than a single line of demarcation between the two States preferred by the Commonwealth government (Pontin and Millington 1985).

The Archer Enquiry into the Australian Fishing Industry (1982) was critical of existing consultation between the different groups involved in policy making. The Archer Report identified weaknesses with the existing industry consultative body, then AFIC and recommended its replacement (which occurred in 1985 with the creation of NFIC) and importantly for this study saw benefits in species based consultative groups recommending that the "establishment of advisory committees ... be mandatory [and that] the advisory committees be structured on a species basis" (1982:72 emphasis added). The Task Force established to incorporate representatives from all major actor from the broader issue community, particularly those from the catch sector, illustrates the efficacy of such bodies in developing policy.

#### 6.2.2 RRT and Cash Bidding Policies

The development of the RRT and cash bidding policies, while incorporating many of the features identifiable with an issue community style of interaction and policy development, did not result in the emergence of any structure such as the Bass Strait scallop Task Force.

A number of reasons can be drawn from the evidence and put forward to explain the lack of an "accommodating institution" (Richardson and Jordan 1979). First, the partisan nature of these issues influenced both the pattern of issue emergence and proximity to, and control of, interaction by the Commonwealth Minister. Second, the issues had a reduced input from the States, shortening the temporal aspects of interaction during the policy process and focussing interaction on one level of government. Third, the characteristics of the resource user groups are important, interaction involved a small number of non-institutional actors, politically aware, with financial strengths and well developed links with other mining sector groups and experienced in negotiating their way through the corridors of power. Fourth, there was less dispute over what was at issue, interaction was focussed on specifics, as much as the groups attempted to broaden the issue agenda. Fifth, the interaction network involved a broad range of actors, including Parliament, providing a different arena of interaction. Sixth, the issues concerned economically significant resources, which may contribute to the tendency for actors to engage in what Schattschneider (1960) called private settlements.

While a number of these factors mentioned above are inter-related, for example the partisan character of the issues and the "top down" interaction (see earlier discussion) such partisanship inspired, may influence the temporal aspects of the interaction process. The reaction of interest groups, the perception of the issue, and the scale of the linkage network may be greatly influenced by particular patterns of issue emergence. In addition, partisan actions can reinforce the tendency to "private settlements".



It is clear that a range of factors influence the interaction which occurs within the issue community, some of which will affect the structures in which issue processing, or in broader terms policy development, takes place.

### 6:3 INTERACTION, THE ISSUE COMMUNITIES AND THE POLICY PROCESS

The particular pattern of interaction observed in the RRT/cash bidding issue community arose out of the characteristics of the issues which influenced the character of the issue community. Unlike the fishery case study this interaction was focussed at one tier of government, interest groups negotiated with the Commonwealth government, particularly the Minister for Resources and Energy. This reduced the number of institutional actors involved and decreased the potential for intergovernmental tensions to disrupt the policy process. While the interest groups attempted to broaden the interaction network to include such actors as alternative political parties, the firm agenda control wielded by the office of the Minister for Resources and Energy precluded this from being a successful strategy.

The small number of interest groups (including corporate bodies) involved in the RRT/cash bidding issue community has important influences on the pattern of interaction. With only one industry organisation and a literal handful of corporate actors actively involved in the community the possibilities for internalising the interaction was increased. Such a pattern of interaction corresponds to "internalised policy making" (Jordan and Richardson 1982, Hogwood 1986) where issues are processed in closed communities involving few

non-institutional actors. Such communities are contrasted to open communities such as that experienced in the scallop case study. The internalising of interaction within government may relate to the contrasts between high and low policy issues, (Hogwood 1986), based on the relative importance of each issue. More important issues ("high" policy concerns) may be internalised within the executive or government, while the mundane, ("low" policy) remain within open communities.

Although the relative importance of the issue will tend to influence the consultation process (Hogwood 1986), "for a number of high and low policy issues, however, the processing of the issue will be handled largely within the executive, with little direct consultation of groups" (Hogwood 1986:17). The RRT/cash bidding issues involved a broader level of consultation than that described by both Jordan and Richardson (1982) and Hogwood (1986) as internalised policy making, although this case study does indicate the impact of what Hogwood calls "a single group policy community" (1986:28) on the interaction process, and obviously, the resultant pattern of interaction.

The pattern of interaction emerging from this particular community may be justifiably different from that emerging from a community drawn, as Hogwood describes, from "the opposite extreme from the single group policy community, [the] 'open consultation' [community], where a large and varied collection of groups or even the general public, are able to participate, or at least have the opportunity of formally recording their views" (1986:28).

The development of what may be termed a closed issue community

(such as that arising out of interaction over the RRT/cash bidding issues) is enhanced by mechanisms of agenda control employed by particular institutional actors. The RRT/cash bidding issues were, in comparison to the scallop fishery, clearly defined. This focussed interaction, reducing, perhaps, the need for an accomodating institution such as the scallop "Task Force". The agenda control was evident in the resistance to interest group attempts to broaden the agenda, and the control exerted over the options contained within the agenda. At no stage did the Minister offer to negotiate the agenda, except perhaps in the agreement over the processing of the RRT to precede the cash bidding issue, to include more broad assessments of petroleum taxation. The imposition of a date on which the RRT was to be implemented from the announcement of the "setting of the agenda" also illustrates effective agenda control.

#### 6:4 INTERACTION, ISSUE COMMUNITIES AND ACCOMODATION - SOME CONCLUSIONS.

The differences in interaction experienced in the two issue communities studied may not be unexpected. Brian Hogwood, in a recent paper, states "that differences between policy areas would lead us to expect some differences between communities in the way issues are processed at one point in time" (1986:5). It is evident from the case study material that the differences in policy area, including resource management objectives and overall political and economic significance between the two marine resource issues examined, contributed to variations observed in the interaction over issue processing. The

evidence from the case studies indicates that the interaction deriving from the characteristics of the issue and influencing the character of the issue community is the key factor in the need for policy structures such as the "accomodating institutions" identified by Richardson and Jordan (1979). The failure of the hypothesis to be supported by the offshore hydrocarbons case study relates to the varying pattern of interaction rather than the validity of the application of the issue community model.

Richardson and Jordan argue

that public policies are the outcomes of a process of adjustment between organisations. No longer do the assets of government outweigh the assets of any given group or sets of groups in a particular bargaining situation. Increasingly, pressure groups and governments have come to realise that they need each other in order to achieve their respective objectives. This has meant the relationship has become closer and closer... (1979:172).

It is felt that this relationship, the "relationships involved in committees, the policy community of departments and groups, the practices of co-option and the consensual style...[have] better account[ed] for policy outcomes" (Richardson and Jordan 1979:74 original emphasis) in the development of marine resource policy making in Bass Strait. Whether or not this relationship gives rise to specific accomodating institutions depends to a considerable extent on factors such as the charactersitics of the issue, the numbers of actors involved, and the extent to which institutional actors exert measures such as issue definition, management of interest group interaction and control of the temporal aspects of the policy process. These institutional actions can be conveniently labelled as "agenda control" measures.

## 6:5 INSTITUTIONS, INTEREST GROUPS AND MARINE RESOURCES POLICY: A CONCLUDING COMMENT

A single thesis cannot cover the range of issues concerned with the development of marine policy, or even all the factors influencing marine resources policy. This study has concentrated on the development of specific policies highlighting the interaction between different policy actors, which it is argued, provide a contribution to the "understanding of how and why specific policies were implemented" (Haward 1986:16).

The seas and oceans of the world have been regarded as the "world's last frontier" (Suter 1983), now under threat from a range of pressures linked to the Tofflerian "third wave" of technologic development. The expansion of technical capabilities in terms of the exploitation of marine resources has reduced, if not negated, the limits to exploitation posed by the character of the marine environment itself. In response to international concerns about "ocean management", policy-making has increased in scope, and complexity, highlighted by the Third United Nations Conference on the Law of the Sea, commonly known as UNCLOS III, held between 1974 and 1980. UNCLOS III provided influence on domestic policy through the introduction of 200 mile extended jurisdiction for coastal states, and also focused attention on the issues of Australian marine policy, discussed in an earlier chapter.

As a result of both international and domestic policy imperatives "issues concerning Australian marine resource policy have had increased increased impact on the political agenda in the last twenty-five years"

(Haward 1986:12). What is also apparent is that research deriving from this increased attention to such issues tends to be applied, that is aimed at specific resource management needs, rather than on an understanding of the processes by which the management strategies or policies deriving from this research are developed or implemented (Haward 1986). "The neglect of the processes and the groups involved in the development of marine resources policy is perceived as a current limitation of Australian marine policy" (Haward 1986:12)

This thesis has attempted to illustrate the utility in examining both the processes of, and the groups involved in, the development and implementation of marine resources policy. The study of interaction between the different policy actors comprising particular issue communities enables one to investigate the impact of such groups on the operation of the policy process and policy output. Public policy literature therefore provides a mechanism to increase the understanding of the operation of what was in the past perceived, although perhaps not understood, as "the black box" of the policy process. Such analysis can facilitate the understanding of the linkages between what can be called the policy environment, individual actors and outcomes.

Bergin "suggested ... that our knowledge of Australian marine policy is very weak ... for students of Australian public policy the analysis of Australian marine policy offers the exciting opportunity of sailing into uncharted waters" (1983:11). Although there are many hazards in undertaking any "voyage of discovery", it is felt that the "issue community model" provides a suitably sound vessel with which to

chart a course in attempting to indicate aspects of the development of marine resource policy.

**APPENDICES**



APPENDIX ONE

BASS STRAIT SCALLOP FISHERY CASE STUDY

1:1 CHRONOLOGY OF POLICY DEVELOPMENT

1:2 MAJOR ACTORS

1:3 BASS STRAIT SCALLOP FISHERY MANAGEMENT ISSUES: Discussion Paper

Prepared by the Scallop Fishery Task Force

1:4 BASS STRAIT SCALLOP MANGEMENT REGIME: Press Release

## APPENDIX 1:1

### BASS STRAIT SCALLOP FISHERY

#### CHRONOLOGY OF POLICY DEVELOPMENT

1905-1950s: Scallop fishery based on beds in the D'Entrecasteaux Channel, Southern Tasmania. This was the major fishery for scallops in Australia.

1952: AUSTRALIAN FISHERIES ACT proclaimed: This established the Commonwealth's role in fisheries management, prior to this management of Australian fisheries, including scallops had been the responsibility of the states.

1950s: Decline in scallop catch from Channel area due to over-fishing caused by increases in fishing effort, and an increased number of scallop boats.

1956: Scallop beds discovered in Queensland waters off Bundaberg.

1957: Port Phillip Bay fished for scallops. A large catch landed by 1980s standards however little interest in the results of this survey and catch.

Mid 1950s: Tasmanian boats discover scallop beds off the East Coast of the State, relieves pressure on stocks of the Channel beds.

1963: Two Tasmanian scallop boats enter Port Phillip Bay and begin fishing for scallops. The relatively large catches encourages more vessels. This marks the establishment of the Victorian scallop fishery.

June 1970: A Victorian fisherman discovers extensive scallop beds off Lakes Entrance, Gippsland. By December 1970 sixty eight boats were harvesting scallops from these beds.

1972: Tasmanian Fisheries Division undertakes a major survey of Bass Strait waters which results in the discovery of new beds in Bass Strait waters around the North Coast of Tasmania, and around the Furneaux Group.

1973: Scallop fishery established in the waters of the North Coast of Tasmania.

1973: Commonwealth government introduces the SEAS AND SUBMERGED LANDS ACT.

1975: The High Court in the SEAS AND SUBMERGED LANDS CASE upheld the Commonwealth's power under the constitution to legislate for control of the territorial sea.

1979: Premiers Conference agrees to the OFFSHORE CONSTITUTIONAL SETTLEMENT, OR (OCS), as a means of resolving the impasse between the States and Commonwealth over offshore federalism.

1980: Bass strait scallop fishery moved to beds located in deep water areas of the Strait, under Commonwealth jurisdiction as they were more than three miles from the low water mark of either Tasmania or Victoria. This fishery necessitated a Commonwealth license. The area was open to both Tasmanian and Victorian fishermen.

1980: OCS legislation introduced, particularly important for scallop fishery management was the Coastal Waters (State Powers) Act 1980, and the Fisheries Amendment Act 1980.

1981: Allied Fisheries set up.

1981-82: Scallop catches from beds in Bass Strait start to decline, competition for the resources increases and Tasmanian fishermen begin to agitate for a state based scallop fishery.

April 1982: Meeting between the Tasmanian Fisheries Development Authority, (TFDA) and the Commonwealth Department of Primary Industry

Fisheries Division, at which the TFDA pressed Tasmania's claim to manage scallop resources.

31 March 1982: Discussion paper on options for scallop fishery distributed to industry by TFDA.

27 April 1982: Moratorium on the issuing of state scallop licenses, after meeting of Scallop Liaison Committee where the industry representatives pressed for this moratorium.

May 1982: Liberal Party Government elected, Mr. Gray premier, Mr. Beswick Minister for Sea Fisheries.

11 June 1982: Professional Fishermen's Association of Tasmania (PFAT) Council meeting which opposed any limitations on licenses "unless proven biological danger to species or if any danger of being over exploited".

2 July 1982: TFDA presents written case to the Director of the Fisheries Division, DPI over the State's claim to manage all waters in Bass Strait south of a line drawn along Latitude 39°12' South.

28 July 1982: Scallop Branch of PFAT (the major sector grouping of scallop fishermen belonging to the PFAT with some shared membership in the Liaison committee and the PFAT Council) wrote to Tasmanian Minister requesting a freeze on any further Tasmanian scallop licenses.

September 1982: Tasmanian and Victorian governments agree on shared scallop management in Bass Strait; Tasmania claims that this cannot be put into effect until OCS is proclaimed.

15 October 1982: Press Release following Australian Fisheries Council, clearing way for discussions between Tasmania and Commonwealth over fisheries management in Bass Strait.

28 January 1983: Meeting of Scallop Liaison Committee meeting discussed the opposition of Commonwealth to sharing of control over management, TFDA representative pointed out that Commonwealth has the final say in Bass Strait. The Liaison Committee recommended lifting the moratorium on licenses as it is disadvantaging Tasmanian fishermen.

February 1983: OCS Legislation proclaimed, however not yet implemented.

March 1983: Hawke Labor Government elected, Mr. Kerin Minister for Primary Industry. Hawke government announces review of OCS.

29 April 1983: Commonwealth formally rejects Tasmania's claim to separation of Bass Strait along 39°12' line. Tasmanian Minister accuses the Tasmanian fishermen of lobbying against Tasmania's claim, arguing that as a result the Commonwealth used the lack of cohesion in the Tasmanian fishery as an excuse for rejecting management proposal.

13 May 1983: Tasmanian Minister reiterates Tasmanian claim to manage scallop fishery in the Tasmanian sector of Bass Strait in a letter to the Commonwealth Minister.

10 June 1983: TFDA sent letter to Fisheries Division, Dept. Primary Industry agreeing to an Interim Management Regime for Bass Strait scallops. The Tasmanian minister claimed that this was due to the fact that the industry was not united and that they were sabotaging attempts to develop a state based fishery in the Strait.

19 August 1983: Scallop Liaison Committee meeting. Wayne Baker, a Tasmanian representative on the Interim Fishing Industry Consultative Panel, (IFICP), agreed to take the Tasmanian view to the inaugural meeting of the IFICP, to be held on the 29 August.

23 August 1983: Meeting called of Tasmanian Scallop fishermen, which endorsed Liaison Committee's views on scallop management.

September 1983: Australian Fisheries Council meeting Sydney, which discussed, among other matters, the management of Bass Strait scallops.

13 September 1983: IFICP called a meeting of industry representatives to discuss management of scallop fishery, and agreement was reached to the introduction of a jointly managed zone with limited entry.

September 1983: The problems associated with Allied Fisheries surface in financial and business magazines. These articles stress the failure of Allied to return the amount of revenue to the syndicates and emphasise the issue of taxation minimisation in the Allied operation

13 September 1983: Tasmanian Minister contacts the Commonwealth Minister for Primary Industry over concern at lack of progress over the implementation of the OCS so that a permanent management regime could be established. The Tasmanian letter stressed the need to take account of the nature of Tasmania's multipurpose fishery in the drafting of management proposals.

26 September 1983: PFAT Annual Conference supported a motion of no confidence in the TFDA over "mismanagement of the scallop industry".

27 September 1983: Minister rejects criticism of TFDA

5 October 1983: Commonwealth Minister, Mr. Kerin, warns investors over activities of Allied Fisheries, through statement in Parliament.

19 October 1983: Meeting of Scallop Branch of the PFAT. Resolved that licenses in the interim regime should be restricted to those who had lodged returns for catches in Bass Strait in the last six months and others on a show/cause basis.

25 October 1983: Tasmanian Minister contacts the Commonwealth Minister noting continuing disagreement in the Tasmanian Scallop industry groups and accepts the interim management proposals, but stressing his view that the regime should be regarded as an interim arrangement and be replaced by a State based regime in future.

15 November 1983: Interim Management Regime announced in a joint statement from the Tasmanian, Victorian and Commonwealth Governments.

15 November 1983: Scallop Liaison Committee meeting which approved the announced Interim Management Regime. The Liaison Committee recommended John Hammond as representative on appeals committee.

November-December 1983: Applications for licenses and criteria covering Interim Regime sent out to all scallop fishermen.

8 February 1984: Press article stating that the PFAT was opposed to the limited entry access to Bass Strait scallops, and challenged ruling on the Allied Fisheries licenses. The PFAT accused TFDA of selling out traditional fishermen.

8 February 1984 : Mr. Beswick (Tasmanian Minister) claims that the action of Tasmanian, Victorian and Commonwealth governments were in the best interests of the fishermen.

9 February 1984: PFAT states it does not recognise the Interim Management Regime.

11 February 1984: PFAT sets up a special committee to look at problems of Bass Strait scallops.

March 1984: TFDA receives conflicting submissions from Scallop Branch, Council and St. Helens Branch of the PFAT, which were referred to the PFAT Executive for a consistent view.

28 March 1984: Review of TFDA announced

30 March 1984: Claims of graft and corruption in operation of TFDA made in State parliament

13 April 1984: Further details on Interim Management Regime announced. Commonwealth Minister releases Fisheries Notice 121, which limited entry to proclaimed waters, within Bass Strait scallop fishery from 23 April 1984. To fish for Bass Strait scallops a Commonwealth

license endorsed with exemption from Fisheries Notice 121 was needed.

12 April 1984: PFAT Executive meeting with Tasmanian minister.

16 April 1984: Circular from PFAT Executive to branches and members on scallop management issues.

April 1984: Hobart Branch of the PFAT moved a no confidence motion in the Tasmanian Minister and the TFDA.

23 April 1984: Effective date of Fisheries Notice introducing restrictions in the Bass Strait scallop fishery. INTERIM MANAGEMENT REGIME established.

24 April 1984: Tasmanian fishermen call for talks over future of fishery, and announce their claims in the press.

26 April 1984: Public Meeting in Hobart Town Hall organised to publicly air complaints of Hobart PFAT members. Title of meeting "Don't Let the Tide Run Out".

27 April 1984: Report of meeting which resolved to call for the abolition of the TFDA.

9 May 1984: Article in the Examiner claiming the scallop fishery is collapsing

June 1984: Bass Strait Scallop Task Force set up. The task force was initiated by the Commonwealth, comprising representatives of the fishermen from both Tasmania and Victoria, processors and the State governments chaired by an officer from the DPI.

8 June 1984: Commonwealth Media Release announcing Interim closure of area of Eastern Banks Strait to scallop fishing from 13/6 to 31/7/84.

27 June 1984: Announcement of closure of further area from the 28/6 to the 31/7/84.

10 July 1984: O'Kelly review of the TFDA handed to Minister.

13 July 1984: Opposition calls for the release of the O'Kelly Review, in Tasmanian Parliament.

July 1984: Cabinet reshuffle, Roger Groom replaces John Beswick as Minister for Sea Fisheries.

25 July 1984: Extension of interim closure to Eastern Banks Strait to January 1985.

1 September 1984: PFAT claims there is a need for a Commonwealth Fisheries Secretariat in Tasmania.

6 September 1984: BASS STRAIT SCALLOP FISHERY: MANAGEMENT ISSUES discussion paper produced by the Scallop Task Force published.

20 September 1984: O'Kelly Review of the TFDA released, recommends that the TFDA be scrapped and be replaced a Department of Sea Fisheries

13 September 1984: Letter from the Department of Primary Industry regarding the announcement of the publication of the Bass Strait Scallop Task Force discussion paper

19 September 1984: Media release from DPI Fisheries Division, announcing the publication of Task Force Issues Paper for Bass Strait Scallops.

24 September 1984: Media release from the DPI. Management of Bass Strait Scallops. Modifications to management regime with a new category of inshore licence to be introduced into the Interim Management regime and a similar category retained in the longer term management arrangements.

16 November 1984: Closures of scallop grounds East of Lakes Entrance, North of King Island and continuing the closure of beds in the Eastern Banks Strait region.

December 1984: FINTAS, the major Tasmanian journal of the fishing industry, published by the TFDA, announces that the PFAT had given its representatives on the Scallop Task Force a "blank cheque" to negotiate

the best deal possible for Tasmanian fishermen.

28 December 1984: Extension of Interim Management Regime for Bass Strait scallops until at least the middle of 1985, announced in a media release from the DPI.

31 January-2 February 1985: Australian Fisheries Conference, Canberra. The conference brought together fishermen, fisheries processors and marketing bodies, fisheries agencies from the states, Northern Territory and the Commonwealth Governments to discuss industry participation in policy making. Specific fisheries management issues were discussed at the conference including issues from the scallop fishery in Bass Strait.

February 1985: Formation of the Rock Lobster Fishermen's Association of Tasmania at a meeting in Launceston, called by a steering committee based at St. Helens.

February 1985: TFDA replaced by Department of Sea Fisheries, with a new director, Marc Wilson.

April 1985: Rock Lobster Fishermen's Association pushes for all Tasmanian rock lobster licence holders to be allowed to fish for scallops south of 39°12' Latitude in Bass Strait.

10 April 1985: Partial opening of Lakes Entrance grounds from 15th April 1984.

11 April 1985: Letter from DPI to industry and fisheries agencies outlining "current situation on scallop management arrangements".

May 1985: Scallop Task Force meeting.

24 May 1985: Bass Strait scallop beds opened.

June 1985: Problems in Victorian scallop fishery emerge, particularly concerning licence restrictions. Lakes Entrance fishermen, facing a severe decline in catches from the Bass Strait beds claim that they will attempt to fish in Port Phillip Bay even though they are not legally entitled.

21 June 1985: Tasmanian Fishing Industry Council (TFIC) established at a meeting of Industry in Launceston, involving all sectors and groups in the Tasmanian fishing industry

July 1985: Australian Fisheries Council meeting in Darwin, which discussed, among other matters, the state of play with the OCS, and the progress towards a management regime for Bass Strait scallops.

22 July 1985: Decision to implement OCS announced in a media release by Commonwealth Primary Industry Minister at Australian Fisheries Council. Also announced was agreement on a scallop management plan for Bass Strait, by the Tasmanian, Victorian and Commonwealth Ministers.

22 July 1985: Media release announcing details of zoning system of management in Bass Strait scallops, using baselines of twenty nautical miles from the Low Water Mark of each State. The State would control the zones adjacent to their coastlines, with the Commonwealth allocating licences for the central zone. With the implementation of the OCS responsibility for this central zone would be given to the States to jointly manage. The Management Plan awaiting assent by the Governors of the States and the Governor General, with implementation expected within three to six months.

August 1985: New scallop beds discovered off Banks Strait North-Eastern Tasmania, outside three mile limit in "proclaimed waters". Tasmanian fishermen agitate for sole access to these beds, and push for rapid implementation of the management plan, which would bring the beds under Tasmanian control

Mid August 1985: Threat of "scallop war" between Tasmanian boats and Victorians in Banks Strait, and claims of an armada of Victorian

boats sailing southwards to fish the beds are publicised in the Tasmanian media. Tasmanian Minister raises question of a closure of the Banks Strait with Commonwealth.

September 1985: Moratorium on the allocation of commonwealth fishing licenses as agreed at the Australian Fisheries Council.

September 1985: Australian Fisheries carries an article on the Scallop Management Regime.

September 1985: Meeting of Tasmanian scallop fishermen ends in uproar. The Tasmanian fishermen's Task Force representative, John Hammond, claimed that the fishermen did not understand the problems in gaining a management regime, and that continual representations for a solely Tasmanian fishery was pointless as it was impossible to attain.

September 1985: Examiner reported the view of a Stanley fisherman, Mr. F. Hursey, that part of the problems in the scallop industry in Tasmania was caused by an ignorance of the role of the Commonwealth fisheries agency. Hursey claimed there was a need to make the Commonwealth's role, and the effect of legislation governing the management of Bass Strait, clearer for the fishermen.

September 1985: Commonwealth agrees to interim closure of Banks Strait to allow survey of scallop beds to be undertaken. Survey commissioned by DPI.

October 1985: Meeting in Launceston between Tasmanian and Commonwealth fisheries officers over results of survey, closure had been extended due to poor weather conditions in Banks Strait hindering completion of survey.

October 1985: Decision by Commonwealth Minister to open Banks Strait scallop beds to appropriately licensed vessels, that is those with Commonwealth licenses issued under the conditions of the Interim Management Regime. Closed area to be opened from the 8th of October at midnight.

October 1985: Tasmanian fishermen agree to self imposed bag limits from beds in an attempt to provide some controls on exploitation of beds. They claim that the Victorian vessels fishing the Banks Strait beds are not under any such "gentleman's agreement".

October 1985: Claims in the Examiner that scallops taken from the Banks Strait beds were rotting on Melbourne wharves as scallop processors in Victoria could not handle the increased yields.

23 December 1985: Scallop Liason Ctee circularised proposal for the future management of scallops in Tasmanian waters. This plan recommended the introduction of an Individual Transferable Quota (ITQ) method over other methods of management, bag limits or zoning.

26 December 1985: DPI announces summer closure of Bass Strait scallop fishery.

7 April 1986: Victorian Liberal Party opposition claimed that Victorian Government should assist scallop fishermen at Lakes Entrance.

9 April 1986: Tasmanian Minister announced Tasmanian scallop season to open on May 12th for all areas except the Channel, Storm Bay and Norfolk Bay.

17 April 1986: Commonwealth Minister announces combined closure of Bass Strait beds until decision regarding implementation of OCS is made, expected around mid May.

May 1986: Tasmanian Minister announces imposition of bag limits on the scallop fishery, based on boat size, up to a maximum of 140 bags. The opening of the season was to be delayed until the 12th June, to allow time for implementation of OCS agreement and in response to

survey of Banks Strait beds by CSIRO.

7 May 1986: John Hammond, a Flinders Island scallop fisherman and member of the Bass Strait Scallop Task Force, is reported in media as being critical of the 140 bag limit proposed for the coming season.

7 May 1986: TSFA supports the postponement of the opening of the scallop season until June 12th, as announced by Minister. The TSFA supported the delay on the grounds that the scallops were not ready for harvesting, and that the OCS agreement may be in place before the season opened.

8 May 1986: The head of the scallop commodity group TFIC slates continued minority group of fishermen who were critical of the bag limits proposal as being out of step with the rest of the industry.

20 May 1986: Announcement that extended Tasmanian control over the scallop fishery should be introduced by June 12th, regulations based on bag limits linked to vessel size were to apply for 1986 season only. Fishermen had no need to fish in this season to protect an entitlement pending a longer term management plan being devised.

24 May 1986: Media announces that there was reluctant agreement between fishermen over the imposition of trip limits on the Banks Strait fishery. Agreement was reached on the compromise of two trips per week after proposal that fishermen voluntarily limit fishing to one trip per week.

6 June 1986: Agreement finalised between Commonwealth, Tasmania and Victoria over the implementation of zoning regime for Bass Strait scallops as the first stage of the implementation of the fisheries package of the OCS.

7 June 1986: Trials urged to assess the suitability of the modified Queensland prawn trawl for the Tasmanian scallop fishery.

12 June 1986: Bass strait season opens, Banks Strait beds within Tasmanian jurisdiction, government reiterates the bag limit restriction on effort, and did not implement the fishermen's wish for a trip limit. This trip limit reached by agreement at a meeting called by the TSFA was to be carried out by "gentlemen's agreement" following government reluctance to enforce such a measure.

19 June 1986: TSFA publicises a definition of the scallop week to avoid confusion over landings and the voluntary trip limits.

4 July 1986: TSFA claims that dispute over license allocation was a "storm in a teacup", although media focused on vessels being forced back to ports as a result of not gaining correct endorsements. TSFA claimed that a backlog of license applications had caused problems. TSFA spokesman stressed the cordial relationship the group had developed with the Minister and the DSF and also pointed to the industry initiative of voluntary trip limits as indicating a desire for longer term management of the resource.

7 July 1986: Tasmanian Minister announces freeze on the transfer of Tasmanian scallop licenses to stop profiteering from inflated values posed by the opening of the Banks Strait beds.



APPENDIX 1:2  
BASS STRAIT SCALLOP FISHERY

MAJOR ACTORS

Government Agencies

COMMONWEALTH

AUSTRALIAN FISHERIES SERVICE, Department of Primary Industry. The AFS functions to

advise government on the conservation, management and utilisation of the living marine resources of the Australian Fishing Zone (AFZ),

[to] consult with State governments, CSIRO, industry and other agencies on fisheries matters.

[and] implement and administer Commonwealth fisheries policy

(Aust. Fish. June 1986:48)

The AFS is organised into three branches responsible for administration, management and development and industry services. In addition the AFS developed and provides support for nine task forces, including Bass Strait scallops (see below) which contain industry and state government members

VICTORIA

MARINE RESOURCES MANAGEMENT BRANCH Fisheries and Wildlife Service, Department of Forests Conservation and Lands, containing what was formerly the COMMERCIAL FISHERIES BRANCH, (initially in the FWS and then restructured as part of the Department of Agriculture and Rural Affairs - see Chapter Three) and the MARINE SCIENCE LABORATORIES (MSL).

TASMANIA

DEPARTMENT OF SEA FISHERIES, (DSF), (formerly the TASMANIAN FISHERIES DEVELOPMENT AUTHORITY) with responsibility for the management, development and administration of marine living resources in waters around the State of Tasmania. The DSF's history and structure is discussed in detail in Chapter Three.

### Commonwealth-State Consultative Bodies.

**AUSTRALIAN FISHERIES COUNCIL: (AFC)** This council, established in 1968, has responsibility for formal consultation between the Commonwealth and the States at a Ministerial level. The AFC meets at least once a year at different venues around Australia. It is advised by a **STANDING COMMITTEE ON FISHERIES**, and several specific advisory committees, whose membership may include State or Commonwealth bureaucrats or academic or scientific experts.

**SOUTH-EASTERN FISHERIES COMMITTEE:** Is a subcommittee of the Standing committee of the AFC, which provides advice to the Council on fisheries in the South Eastern Region of Australia, including the fisheries of New South Wales, Victorian, Tasmanian and South Australia. the SEFC has comprises members of the Southern Bluefin Tuna (SBT) task force and several research groups.

**BASS STRAIT SCALLOP TASK FORCE:** This body contains representatives of the State and Commonwealth agencies and members drawn from the catch and processing sector groups from Tasmania and Victoria. The success of the Task Force in providing a forum for discussion between industry and government has been emphasised by Byrne, (1985), who claims that it gave a chance for industry to see the constraints influencing the development of a scallop management regime. The Task Force structure also enabled a face to face contact between the institutions and the fishermen, providing a formal forum for policy discussions. The importance of the Task Force in resolving the problems of the development of the scallop regime cannot be underestimated.

### Commonwealth-Industry Organisations.

**AUSTRALIAN FISHING INDUSTRY COUNCIL, (AFIC).**

This body was set up as a result of the establishment of the Australian Fisheries Council in 1968 and aimed to provide a means of providing a basis for formal interaction between the fishing industry and the Commonwealth government. AFIC was organised around a federal structure, each State having a branch to liase with the State fisheries agencies. These branches elected a federal Council. AFIC aimed to "represent all facets of thre fishing industry", however it never achieved an effective

role in either Tasmania or Victoria due to the pre existing industry organisations. In Tasmania for example AFIC (TAS) numbered approximately fifteen members, most of whom joined the group after a dispute with the PFAT. The development of the VICTORIAN FISHING INDUSTRY COUNCIL in 1979 resulted in the demise of the very small AFIC branch in Victoria. Even though AFIC had a chequered history its influence cannot be discounted in the evolution of the Bass Strait scallop management regime, as individuals from within the AFIC (TAS) brach particularly were active on the Tasmanian Scallop Liason Committee and, more importantly, active on the Bass Strait Scallop Task Force, representing AFIC's successor body, IFICP.

INTERIM FISHING INDUSTRY CONSULTATIVE PANEL, (IFICP). With the decline in the effectiveness of the AFIC organisation, pressure was directed to develop a more effective government-industry consultative body. The Commonwealth Department of Primary Industry sponsored the development of the IFICP as a vehicle to first organise the Australian Fisheries Conference in 1985, (the first such conferesnce covering all aspects of the fishing industry and the role of government agencies since 1973) and secondly to consider options for the new Commonwealth-industry body. The conference was organised around a number of themes concerned with fisheries management and administration. At the conclusion of the conference the meeting considered the type and funding of a national fishing industry body. The recommendations from the Conference, later endorsed by the Commonwealth Minister, for a new industry organisation to be called the National Fishing Industry Council. IFICP was replaced by this new organisation in late 1985. The IFICP was made up of two represenatives of each State, one from the catch sector and the other from the processing/marketing sectors.

NATIONAL FISHING INDUSTRY COUNCIL, (NFIC).

The endorsement of the Australian Fisheries Conference for a new fishing industry body resulted in the development of the National Fishiong Industry Council in June 1985. Unlike AFIC the NFIC charter firmly emphasised the importance of giving all sectors of the industry adequate representation through their own national associations which would in turn provide the membership of the NFIC, an industry peak council. This recognition of the diverse interests of

the catching, processing/marketing and industry sectors of the Australian fishing industry provides the basis for a broadly based body. NFIC contains an executive which represents all constituent associations as well as each state and territory. The Constituent Associations are:

NATIONAL FISHERMENS ASSOCIATION, representing the catch sector,

NATIONAL INDUSTRY ASSOCIATION, representing the service sector of the Australian fishing Industry,

NATIONAL FISH PROCESSORS AND MARKETERS ASSOCIATION, representing the processing and marketing sectors.

While it is too early at this stage to assess the effectiveness of the NFIC organisation its structure and broad basis of support may well overcome many of the deficiencies of the previous "national" body. The support of the State fisheries agencies and the fishermen in the development of the NFIC body is also significant, emphasised by the development of similar state based councils in Tasmania and other States.

#### State Government-Industry Organisations.

##### Victoria

VICTORIAN FISHING INDUSTRY COUNCIL, (VFIC or VICFISH)  
The council was set up through legislation in 1979, providing a formal statutory basis for the councils operations. VFIC is an executive council drawn from representatives of all the sectors of the Victorian fishing Industry, and includes a consumer representative. The Council is chaired by a member of the Commercial Fisheries Branch. The council's main focus has been on the development of the Victorian fishing industry, particularly in terms of marketing and promotion. The management of the scallop fishery in Victoria has not been a major concern of the Council.

##### Tasmania

##### TASMANIAN FISHING INDUSTRY COUNCIL

The establishment of the TFIC in 1985 was a significant development in the relationship between the fishing industry and the Tasmanian government and management institution. The splintering of industry

support through the development of single fishery groups at the expense of the traditional fishermens body, the PFAT, resulted in a perceived lack of cohesion in the industry. The establishment of the Department of Sea Fisheries and the importance the head of the new department placed on developing a good relationship with industry, as well as the need to have a state based body to provide representatives to the newly formed NFIC associations, were all influential forces in creating this new body. The Council was established as a result of a public meeting attended by 200 fishermen who heard discussion on the need and funding arrangements proposed for the Council. This meeting in June 1985 established a TFIC steering committee made up of representatives of the eight major fishing and industry sectors. This steering committee was to meet and interview applicants for the position of executive officer, a position funded by government contribution and a levy on Tasmanian fishermen. It is again too early to assess the effectiveness of the TFIC, however its broad base may provide a bridge between the various fisheries groups, and provide a means of consultation with the industry and the state agency.

#### SCALLOP LIAISON COMMITTEE.

The Scallop Liaison Committee was established by the TFDA as a means of providing a discussion between scallop fishermen over issues of policy or management. The liaison committee contained representatives of the Tasmanian scallop fishermens, drawn from the major interest groups, the PFAT and AFIC(TAS). The liaison committee concept was established by the TFDA as a means of involving resource users in the self management of their fishery. The Scallop Liaison Committee's concerns became specifically involved with the issue of the management of Bass Strait scallops as this area provided the major area of exploitation. The committee had a direct input into the deliberations of the Bass Strait Scallop Task Force as the Tasmanian industry representatives of this body were also members of the Liaison Committee

#### Industry Organisations.

#### VICTORIAN PROFESSIONAL FISHERMEN'S ASSOCIATION (VPFA)

The VPFA seeks to represent all Victorian fishermen through a series of port based zones which elect representatives to the VPFA Executive. The

group has a full time secretary who is located in the same office as the Executive Officer of the Victorian Fishing Industry Council, providing a means of close liason between the groups. The VPFA has a membership of approximately 230 fishermen, with the number depending to a great extent on the condition of any one fishery.

**PROFESSIONAL FISHERMEN'S ASSOCIATION OF TASMANIA, (PFAT).**  
The PFAT was the traditional umbrella group representing all of Tasmania's fishermen, although this role has diminished somewhat as single fishery groups have developed. These groups emerged as the result of a perceived lack of action by the PFAT in specific fisheries, or through the development of different organisations within the PFAT structure. The PFAT is organised on the basis of port based branches, which elect delegates to a Council and Executive. Some of these branches are active and vigorous in their lobbying, often in conflict with the actions of the PFAT executive bodies. In the 1970s the PFAT developed branches concerned with specific fisheries. This move was thought to encourage the input from different ports in the development of policy for a specific fishery. These fisheries sector branches became important and due to their concern with specific fisheries may have been in conflict with the other sectors of the parent body. The PFAT is an important interest group even if its influence has declined in recent times.

#### **AUSTRALIAN FISHING INDUSTRY COUNCIL-AFIC (TAS)**

The problems with the AFIC organisation, both nationally and at the State level have been discussed previously. The reason for including AFIC (TAS) in this survey of groups is to emphasise its role in the development of the scallop regime for Bass Strait. The ability of the AFIC representatives to put forward their concerns at a number of forums, together with their ability to understand the policy process, gave this group influence that could be regarded as being out of all proportion to its size and degree of representativeness.

#### **TASMANIAN SCALLOP FISHERMEN'S ASSOCIATION (TSFA)**

The TSFA emerged in the latter period of the interaction over the Bass Strait scallop management regime as the major industry group in Tasmania. The TSFA formed in 1983 as a result of disaffection among a

group of scallop fishermen over the treatment of a range of scallop issues by the PFAT. The TSFA aimed to effectively represent the interests of the operators of smaller vessels, who were seen to be underrepresented in existing organisations. By 1986 the TSFA had eclipsed the PFAT as the major scallop grouping, with a large membership, and good relations with the Minister and The DSF. The president of TSFA was also the head of the scallop commodity group in TFIC.

#### TASMANIAN ROCK LOBSTER FISHERMEN'S ASSOCIATION

This group formed in early 1985 in response to a threat to the existing management regime for the Bass Strait rock lobster fishery from Victorian fishermen. These fishermen initiated a campaign during the Victorian State election requesting the Commonwealth to investigate opening up more of Bass Strait to Victorian Rock Lobster fishermen. The importance of this interest groups for the discussion of Bass Strait scallop policy is that the TRLFA requested that all licensed Tasmanian Rock Lobster Fishermen should have unlimited access to Bass Strait scallops, as it was used as an "off season " fishery

#### LAKES ENTRANCE SCALLOP FISHERMEN'S ASSOCIATION

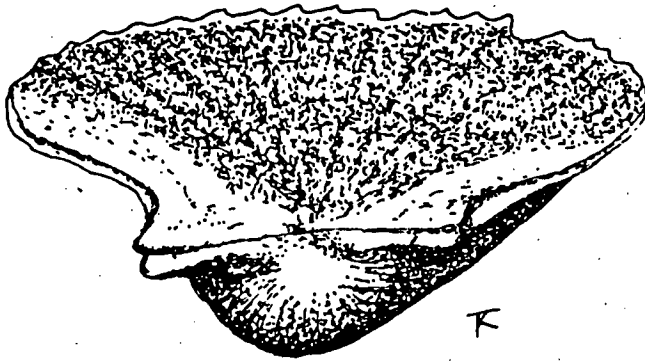
This is a single issue group main impact in the discussions during the development of the management regime was to press the Victorian government for a "better" deal from the Victorian fisheries agency in terms of access to Port Phillip Bay scallop beds. These beds were restricted to those with a "Bay" license. The fact that this group has a vested interest in the Bass Strait scallop fishery as they have both State and Commonwealth licenses for the region involved them in the Task Force Discussions. The internal problems within the Victorian Scallop fishery during the early part of 1985 was the focus of this groups activities. the discovery of the Banks Strait beds in mid 1985 enabled these fishermen of dredge these stocks with the appropriate endorsements.

## PORT PHILLIP SCALLOP FISHERMEN'S ASSOCIATION

The small Port Phillip scallop fleet is highly restricted in its operations. The number of licenses is strictly controlled and other restrictions such as bag limits and controls on size and time of dredging occur. The strong ethnic group linkages within this fishery is important, and provides another source of organisation. This group is concerned with limiting the access of Lakes Entrance vessels into the Bay, and upholding the restrictions under which the Bay fishery operates



# **BASS STRAIT SCALLOP FISHERY**



## **MANAGEMENT ISSUES**

Prepared by

Bass Strait Scallop  
Fishery Task Force

BASS STRAIT SCALLOP FISHERY

MANAGEMENT ISSUES

BY

BASS STRAIT SCALLOP FISHERY TASK FORCE

SEPTEMBER 1984

This is a discussion paper only.

The purpose of this paper is to inform scallop fishermen of those issues identified by the Bass Strait Scallop Fishery Task Force as being important to developing a long-term management regime for the Bass Strait Scallop fishery and to stimulate discussion and comment from fishermen to aid the Task Force in its evaluation of the various options. The Task Force has not yet made any recommendations regarding specific options for a long-term management regime and will not do so until after consultations with the scallop fishing industry.

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## INTRODUCTION

1. The Bass Strait Scallop Fishery Task Force was established in June 1984 to consider and develop a plan for the future management of the fishery. The Task Force membership includes officials from the Tasmanian and Victorian fisheries authorities, seven industry representatives and a Chairman from the Department of Primary Industry. The Task Force will consider all available information, meet with fishermen and processors to hear their views and prepare a report on options for future management of the fishery for consideration by Governments.
2. The terms of reference of the Task Force are as follows:
  - (i) Collate existing information on the fishery and recommend modifications or additions to current data collection;
  - (ii) Assess the effectiveness and impact of current management collection;
  - (iii) Specify management objectives for the fishery; and
  - (iv) Identify options for management of the fishery and indicate to Standing Committee on Fisheries, Australian Fisheries Council and relevant Governments not only what it considers to be the advantages of the options but also the options it considers the most appropriate.

## 3. Task Force members include:

Mr Bruce Lilburn,  
Chairman

Commonwealth Department of  
Primary Industry

Tasmania

Mr Tony Harrison

Tasmanian Fisheries  
Development Authority

Mr Brian Daff

Mr John Hammond

Mr Dennis King

Victoria

Mr Jeff Byrne

Victorian Fisheries and  
Wildlife Service

Mr Bill Cull

Mr Chris Fenner

Mr Tom Kivelos

Mr Geoff Stackhouse

IFICP

4. This paper outlines some of the key management issues which the Task Force expects to consider. Its purpose is to serve as a basis for discussions during the visits by the Task Force members to ports.

#### BACKGROUND

5. By early 1983, the Commonwealth, Tasmanian and Victorian Governments, as well as many fishermen, had become concerned about the rapid increase in the number of boats in the Bass Strait scallop fishery. It was concluded that unless measures were taken to limit the increase in boat numbers, fishermen would face serious economic problems. There was also concern that there may be a spillover of excess fishing capacity into other fisheries. This resulted in extensive discussion between the Commonwealth, Tasmanian and Victorian authorities concerning appropriate management arrangements. The Interim Fishing Industry Consultative Panel also formed a sub-committee in mid-1983 to address the issue.
6. On 15 November 1983, an interim management regime for the Bass Strait scallop fishery was announced jointly by the Commonwealth, Tasmanian and Victorian Ministers responsible for fisheries. The interim management regime began on 23 April 1984 and principally defined an area of Bass Strait within which the number of boats allowed to participate in the fishery was limited. A map illustrating the management area is attached.

#### SCALLOP MANAGEMENT

7. The two broad objectives of any management plan for Commonwealth waters are specified in the Fisheries Act 1952 as
  - ensuring through proper conservation and management measures that the living resources of the Australian Fishing Zone (AFZ) are not endangered
  - achieving the optimum utilization of the living resources of the AFZ.
8. Natural fluctuations in the number of scallops mean that the number available to be caught may vary greatly over time and from area to area each year.
9. Given the natural fluctuations in scallop populations, achievement of these broad objectives may be difficult. Nevertheless, the Task Force will need to address a series of management issues.

## KEY MANAGEMENT ISSUES

A. Boundaries to the Fishery and Zoning

10. Should the Bass Strait fishery be managed as a single unit with uniform management measures throughout or should it be divided into two or more zones?
- if a single unit, what area should be covered in the fishery and what management measures should be applied?
  - if two or more zones, how should the fishery be zoned and what management measures should apply in each zone?

In both cases who should be the management authority?

11. Scallops in Bass Strait occur in both Commonwealth proclaimed waters and the coastal waters of Tasmania and Victoria.
12. The present boundaries of the fishery encompass a single area from 143° 30'E to 149° 00'E and along the Victorian coast and the Tasmanian coast above 40° 45'S (see map). One option is to have two or more zones in the fishery. One suggestion is to divide the fishery into two zones north and south of 39° 12'S. Alternatively two or three zones could be considered with certain classes of vessels restricted to areas close to the coast.

## 13. Zoning has advantages

- it recognises previous differences in management approaches by Tasmania and Victoria
- it avoids the possibility of greater concentrations of vessels in one area, leaving processors elsewhere short of product, and congesting both the grounds and the ports

and disadvantages

- it is harder to administer than one set of regulations
- it could interfere with traditional fishing patterns
- there could be problems of enforcement.

14. Irrespective of zoning, boundaries of the fishery must be resolved.

## B. Administration

15. Currently the fishery is managed by the Commonwealth in accordance with the provisions of the Fisheries Act 1952. Long term responsibility for administration has yet to be resolved. Whilst this is difficult without implementation of the Offshore Constitutional Settlement (OCS) the Task Force may consider the following options:
- could be managed by Commonwealth regulation and control throughout proclaimed waters of the fishery with State control in coastal waters
  - regulation and control by a joint authority (Commonwealth, State and Industry representatives)
  - regulation and control by the two States concerned (Victoria and Tasmania).
16. For a management plan to be effective in Commonwealth waters, it will be necessary to ensure that both Commonwealth and State regulations are complementary and co-ordinated.
17. The Task Force may assume one of the above options as a basis for further consideration, noting that the first two options may or may not include zoning.

## C. Choosing a Management Option

18. In the extreme, the fishery could be subject to no management control and industry would "sort itself out". On the other hand, limited entry, catch quotas, gear restrictions, seasons, size limits and closures could apply in various combinations.
19. The management regime will need to accommodate fishermen who fish only for scallops as well as those who engage in more diverse operations.
20. Prior to the interim regime, Victoria and Tasmania had different management strategies. The current regime has implemented a form of limited entry on an interim basis.
21. Re-examination of these measures is required, with attention being paid to the following key issues:
- is a limited entry regime appropriate for the fishery
  - should there be size limits on scallops
  - should there be controls on fishing efficiency
  - are seasonal or area closures appropriate.



## FORMS OF MANAGEMENT

22. Alternatives to limited entry include open entry, total catch quotas, individual transferable quotas and variable closed seasons.

### A. Open Entry Fishery

23. Characterized by:

- the freedom for new or outside fishermen to enter the fishery
- the freedom of fishermen to upgrade or buy larger boats
- a variety of biologically oriented management controls such as seasonal closures, area closures, catch quotas and some types of gear restrictions that generally become more restrictive as increasing numbers of fishermen compete for a finite resource
- there would be no control on the number of boats, fishing effort or catching capacity. In the long term, fishermen are likely to be faced with persistent low profits, and the fishery may experience overall and regional economic hardship.

### B. Individual Transferable Quotas

24. Individual (per vessel) quotas can address both biological and economic problems simultaneously. Relies on allocating the available resource (a quota) to individual fishermen.

The consequences include:

- they give fishermen some certainty of their catch amount regardless of the actions of other fishermen
- they will result in a fall in unproductive competition
- costs of fishing should fall
- if quotas are divisible and saleable, fishermen will be able to adjust to their desired level of operations without affecting the resource or the other fishermen
- individual freedom will be high as restrictions on fishing method, boat size, gear and boat replacements will be unnecessary
- fleet reduction programs are unnecessary as the market place will eventually determine the optimum fleet size

- individual boat catches may be difficult to monitor
- the cost to police and administer the scheme may be high
- a means of allocating the quota to fishermen must be devised and agreed to (boat catch records must be reliable).

#### C. Limited Entry

25. A limit on the number of boats operating in the fishery. This is the regime which has been operating in Victorian waters for a number of years.

The consequences include

- the ability to enter the fishery will remain, but only through buying out an existing operator (if transferability is allowed)
- there would be some control, though not necessarily complete, on the expansion of fishing effort and capacity
- in the longer term a basis is established from which it should be possible to reduce effort/capacity by measures such as individual boat quotas and thereby improve the economic position of those remaining
- upon the issue of an endorsement which provides a right to fish, a value for that endorsement is established, if they are freely transferable.

#### D. Other Alternatives

26. These could include total catch quotas and/or variable closed seasons which might be applied to either open entry or limited entry management schemes.
27. Limited entry management regimes established for other Australian fisheries such as rock lobster and abalone have not been wholly successful in preventing the range of resource and economic problems generally associated with open entry fisheries. These problems may compound in scallop fisheries where resource availability is subject to extreme fluctuations.
28. If limited entry is accepted as appropriate a number of further issues will require consideration. These include:
1. Endorsement Transferability
  2. Endorsement Splitting
  3. Boat Replacement Policy
  4. Fleet Reduction
  5. Conservation of resources

## 7.

## ISSUES POSED BY LIMITED ENTRY

## Issue 1: ENDORSEMENT TRANSFERABILITY

29. The ability for fishermen to sell or transfer their endorsement should be considered.

Consequences of transferability include

- flexibility for fishermen to move into or out of the fishery according to individual circumstances
- non-transferability encourages fishermen and boats to remain in the fishery beyond their appropriate age of retirement
- even with non-transferability, there may be exceptional circumstances where transfer is essential to prevent unnecessary hardship, e.g. deceased estates
- windfall gains will also be created for initial licence holders if endorsements are freely transferable
- removes the ability to reduce over-capacity/capitalisation through natural attrition
- the cost of entering the fishery will rise as the value of the endorsement increases.

## Issue 2: ENDORSEMENT SPLITTING

30. As Bass Strait scallop fishermen may also operate in a number of other fisheries (lobster, shark, etc), operators will undoubtedly wish to hold multiple endorsements.
31. For those fishermen who qualify for endorsements in more than one limited entry fishery, they may wish to sell or transfer one or more endorsements while retaining one on their own licence, i.e. endorsement splitting.
32. Consequences of endorsement splitting include
- provides a financial gain to the fisherman while allowing him to continue operations
  - would result in increased total fishing capacity if fishermen specialise and/or sells his endorsement to a specialist
  - reduces the flexibility of fishermen after sale of one or more endorsements
  - fishermen wanting to buy an endorsement may have to buy a higher priced endorsement package.

- fishermen with multiple endorsements may have a better chance of combating temporary economic problems in the scallop fishery caused by variable availability of scallops than do specialist fishermen.

### Issue 3: BOAT REPLACEMENT POLICY

33. Currently, boats endorsed for the scallop fishery can be replaced only if they sink or are destroyed and where the replacement boat is no larger than the one replaced. The Task Force will need to consider whether this policy should be continued or modified.
34. The options include one, or a combination of
  - A. No Restrictions
  35. The absence of any restrictions on replacement of boats allows fishermen complete flexibility in upgrading or changing their vessel but has the disadvantage of allowing increases in effort and capacity.
  - B. No Replacement or Extreme Restrictions
  36. No replacement or extreme restrictions on the replacement of any boat has the advantage of
    - minimise an escalation in capacity
    - may reduce the number of boats over time through natural attrition.
  37. Disadvantages include
    - if continued too long it may lead to an increase in the age, unsuitability and inefficiency of boats
    - may also tend to cause fishermen to operate unsafe boats rather than leave the fishery
    - could cause severe hardship for some fishermen.
  - C. Limited Replacement
  38. Units can be defined for sale or transfer.
    - (i) Based on Boat Length
    39. A policy based on boat length would have the following advantages
      - simple to understand and administer
      - length is already surveyed, but standardisation of measurement must be sought

- allows technological improvements
- allows more boats and employment for any given level of resource exploitation or maximum allowable capacity

40. Disadvantages include

- it does not fully restrict effort or capacity
- it can lead to the distortion of boat shape
- it could restrict a fishermen's flexibility to increase the size of his fishing operation.

(ii) Based on Under Deck Volume (UDV)

41. To base a boat replacement policy solely on UDV would have the following advantages

- guidelines for measurement have been established in other fisheries
- it controls capacity more closely than boat length
- units can be defined for sale or transfer
- allows for flexibility of design

42. Disadvantages include

- industry may have to bear part of the cost of maintaining a register of boat units
- scope still exists for increased fishing capacity.

(iii) Based on Engine Capacity

43. A boat replacement policy based solely on engine capacity has the following advantages

- engine capacity for standard engines would be available
- engine capacity must closely correspond to real fishing power in scallop dredging vessels
- allows flexibility in size and design of boats.

44. Disadvantages include

- engines can be modified to improve power and efficiency, eg. Kort nozzles
- difficult to define engine capacity or maximum continuous rating

- measurement of engine capacity varies with each manufacturer
- if engine capacity is inflexibly defined, the policy could be too restrictive.

#### Issue 4: FLEET REDUCTION

45. Involves a management structure with a mechanism to actively remove vessels from the fleet and thus reducing over-capacity and excess fishing effort. Options include:

##### A. A boat buy-back scheme.

46. Consequences include

- that it removes vessels quickly from the fleet
- often the least productive vessels are offered for buy-back first, with little impact on fishing effort
- is expensive to administer and fishermen in an economically distressed fishery are often the least capable of funding the program
- in other countries there has been a tendency to auction bought-back vessels to the highest bidder who transfers that capacity to other potentially distressed fisheries.

##### B. Surrender of units on transfer

47. The surrender of a number of vessel units of fishing capacity or catch shares in the fishery upon the transfer of endorsements and/or the requirement to purchase additional units or shares when upgrading or replacing a vessel. The concept of utilisation means that

- the owner of each vessel would be allocated a number of shares or units which represents that part of total fishing effort or catch in his fishery which is able to be applied with that vessel. These shares would have a unit (or part) value for which each vessel owner would have to pay to enable his vessel to work as a fishing boat
- the basis of unitisation of effort may incorporate one or a combination of the parameters (length, UDV, engine capacity) mentioned in Issue 3
- the concept would allow an acceptable proxy for identifying the level of capital investment and fishing capacity.

48. Further advantages for unitization in replacement are

- fishermen would have the option of maintaining their existing level of fishing capacity without incurring a penalty
- to upgrade, additional units would have to be purchased from the available pool
- there would be an opportunity for fishermen to reduce capacity and retain surplus units for sale
- units of effort could be gradually reduced if desired
- provides flexibility in vessel replacement while containing capacity
- allows effort to be redistributed within the fishery
- provides a market for units
- may allow marginal operators a financial incentive to leave the fishery
- capacity could be reduced to account for technological change.

49. Disadvantages are

- fishermen would have to buy extra units to upgrade or otherwise leave the fishery
- a fisherman's potential income from forfeited units may be lost
- could be slow in taking effect in reducing vessel numbers.

50. There is an upper limit on the available number of units in the pool, thus, if no-one leaves the industry or down-grades, no-one can up-grade.

Issue 5: CONSERVATION OF RESOURCES

51. In other Australian fisheries limited entry alone has proven ineffective in the longer term in containing fishing catch or effort where there are incentives and opportunities to increase individual catches. Thus, additional management measures directed at biological conservation may be needed. Such measures could include minimum size, closed seasons, closed areas and direct limits on catch.

## ISSUES POSED BY INDIVIDUAL TRANSFERABLE QUOTA (ITQ)

### Issue 1: ESTIMATING TOTAL ALLOWABLE CATCH (TAC)

52. One system of allocating ITQ's is to determine a Total Allowable Catch annually and divide it among individuals. Each individual's quota is some percentage of the TAC, which may vary from year to year.
53. From a biological viewpoint it is important that the TAC does not exceed the biologically safe annual yield available from the fishery and result in overfishing the stocks. However, in the case of scallops, it may be difficult to determine the safe annual yield or year to year variations because of their erratic recruitment and patchy distribution.
54. If the TAC is overestimated, some fishermen may not catch their entire quota and would have to choose between ceasing to fish at this point and continuing to fish in the face of declining catch rates and reduced profitability. For those fishermen making the latter choice, the economic benefits of ITQ's would be reduced. Also, fishermen will be tempted to concentrate their effort at the beginning of the next season in order to ensure they catch their individual quota, rather than fishing in the manner which is most efficient for their style of operations, eg operating at a more reduced level over the entire season.
55. If because of lack of information, the TAC is not set at a level less than the biologically safe yield it can be argued that the resource is being under-utilized and fishermen unduly restricted. It seems likely that the TAC would be set at a reasonably high level and/or consideration given to allocating additional quotas during the season if abundance is high.

### Issue 2: ALLOCATING CATCH QUOTAS

56. Any quota allocation mechanisms must inevitably deal with the subject of determining which fishermen are eligible for the initial allocation. Entry is limited to those fishermen who hold quota but because quota may be freely transferable there may be no restrictions on who may own quota and participate in the fishery.
57. A number of quota allocation mechanisms are possible and the choice of which to use depends on political, social and economic factors including, but not limited to, matters of equity, cost effectiveness, flexibility and minimization of social disruption.



58. Possible allocative mechanisms include:

A. Past Fishing Performance

59. For example the average or best catch over the last two, three or four years.

B. Equal Allocation

60. All the participants are allocated the same quota.

C. Existing Vessel Catching Potential

61. This can be measured in terms of underdeck volume, shaft horsepower, tonnage etc.

D. Bidding

62. Quota could be bid for on a once only basis or at the beginning of each quota season.

E. Points System

63. This usually incorporates fishing performance with other factors considered socially relevant such as economic dependance, availability of alternative occupations, ownership or investment in vessel and gear, etc.

F. Mixture

64. For example, all boats are assigned an equal base quota while a surplus is held for bidding at the start of the quota season.

#### SCALLOP SIZE LIMITS

65. Protecting juvenile scallops until they reach an age and size where the population's gain in weight is balanced by losses through natural deaths would maximise the yield in weight per recruit.

66. Size limits are the most common method for achieving this. (Short term closures are another method - these are discussed below)

- economic yield may also be maximised if the return from harvesting larger scallops more than offsets the costs of foregoing the harvest of smaller scallops, i.e. costs of searching for beds of larger scallops and/or the costs of sorting. Foregoing the costs of harvesting smaller scallops must also include fishery induced mortality to discarded undersize scallops, although fishing practices can reduce the proportion of these

- delaying recruitment to the fishery until after age of first spawning affords additional protection to the spawning population
- size limits and meat counts require enforcement with associated costs
- further research may be needed to determine the optimum size for first capture.

#### CONTROLS ON FISHING EFFICIENCY

67. To achieve the objective of controlling increases in capacity and fishing effort, it may be necessary to implement additional controls on fishing efficiency, at least until such time as long term measures to reduce capacity and effort are effective. Some of these measures include

##### A. Dredge Controls

68. The Task Force has recommended that a maximum dredge width regulation of 3.86m be applied to the entire management area beginning 1 January 1985 (this is still under consideration by Governments). Other controls such as restrictions on dredge height, volume, etc. might be considered.

##### B. Trans-Shipments

69. Scallops are normally transported to port by the vessel which caught them. Relieving the catcher vessel from having to return to port to unload effectively allows an increase in fishing effort by allowing the catcher boat to concentrate on fishing. Prohibiting carrier boats, at least as a short term measure, might aid in controlling fishing effort.

##### C. On-Board Shucking

70. Scallops are currently landed in the shell. The practice of on-board shucking, which is common in the United States Atlantic Coast scallop fishery, if introduced in Bass Strait could effectively result in increased fishing effort in the fishery. Prohibiting on-board shucking might help to prevent increases in effort but at the cost of reducing individual efficiency.

##### D. Sorting Machines

71. There have been several scallop boats which have recently installed on-board sorters which have the potential to improve the efficiency and speed of the sorting operation and thus possibly increasing fishing effort. It may also allow fishing in areas which may not otherwise be fished.

72. With respect to the just described three potential improvements in fishing efficiency, the Task Force may wish to consider whether the benefits, in terms of controlling increases in fishing effort and total fleet costs, outweigh the individual costs imposed by legislating inefficiency.

#### SEASONS AND CLOSURES

73. Seasons or temporary closures may assist in maximizing yield per recruited scallop and improved settlement of juveniles. Fishing scallops in peak seasonal conditions is also suggested as a worthy objective.
74. These measures demand considerable survey information if they are to be applied logically.

#### COST OF MANAGEMENT

75. Any management controls imposed on the fishery involve costs of administration, monitoring and enforcement. The more complex the management arrangements, the higher the costs.
76. Any limited entry schemes proposed would result in additional costs, including
- administration of applications and licences, including transfers
  - maintenance of a licence endorsement and/or boat unit register
  - measurement of boats for unit allocation
  - review of claims with respect to unit allocation
  - enforcement of the arrangements both on land and at sea
  - log books, if instigated, would have to be printed, distributed and collected, and the resulting data would have to be processed.
77. Transferrable boat quotas could be difficult and expensive to enforce. It would also require an initial allocation of quotas to individual fishermen. The criteria to be used to do this may be difficult to agree upon.
78. It is argued that industry will have to bear part of these costs. Where individuals within an industry enjoy a protected right to operate in that industry for profit and may accrue a capital gain, they should pay for that privilege.

## ENFORCEMENT

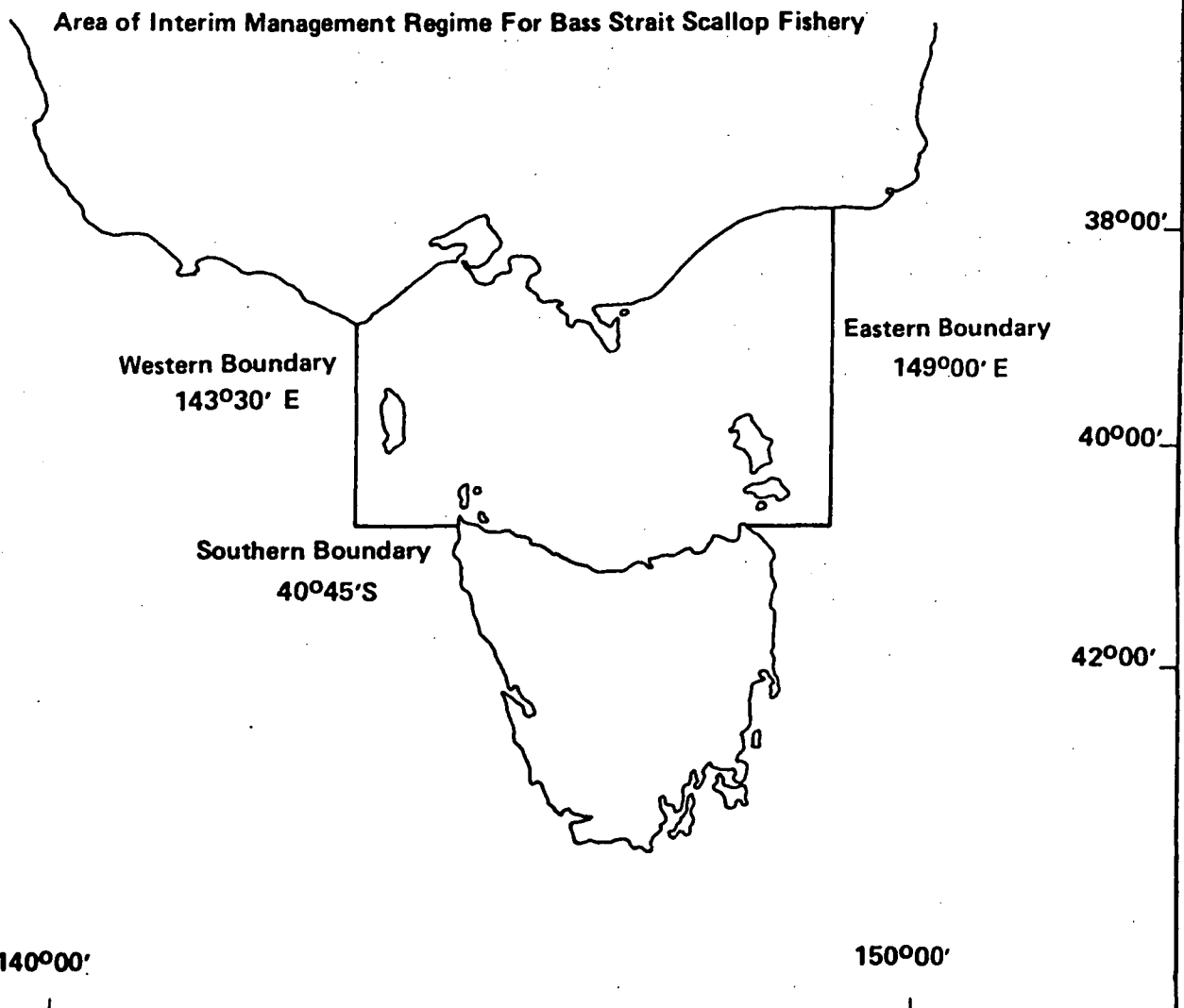
79. For a management plan such as limited entry to be effective, some surveillance and enforcement is essential. The level of such activities needed or wanted will remain largely unknown for the first twelve months or more of the plan. The costs of surveillance and enforcement may be high and part or all those costs will be met by industry. Consequently, it is envisaged that fishermen will be involved in discussions with government to identify the extent of surveillance, and level of enforcement and the areas where concentrated coverage is required.

## DATA REQUIREMENTS AND RESEARCH

80. What records and what research is needed to manage the fishery?

6 September 1984

2048e



# **MEDIA RELEASE**

MINISTER FOR PRIMARY INDUSTRY  
CANBERRA

PI 85/136

22 July 1985

## JOINT STATEMENT

### NEW MANAGEMENT REGIME FOR BASS STRAIT SCALLOP FISHERY

Ministers responsible for fisheries in the Commonwealth, Victorian and Tasmanian Governments, John Kerin, Evan Walker and Roger Groom jointly announced today details of a new management regime for the Bass Strait Scallop Fishery.

The regime involves the staged handing over of responsibility for the fishery to Victoria and Tasmania. State fisheries will be established adjacent to Victoria and Tasmania, as a matter of urgency (as shown in attached chart). Subsequently, Victoria and Tasmania will also take responsibility for joint management of the remainder of the fishery.

Such an arrangement is now possible because of the decision of the Commonwealth Government to now implement the Fisheries element of the Off-shore Constitutional Settlement. This enables the Commonwealth and the States to enter into an arrangement to manage a fishery under a single law.

The current limited entry regime administered under Commonwealth law will continue to apply until the States assume responsibility for the area.

## 2.

The Ministers said that the proposal was based on a package which had been developed by the Bass Strait Scallop Fishery Task Force, an industry/government group which had been established by Mr Kerin to advise on longer term management arrangements for the fishery.

It took into account the different histories and management objectives for the Victorian and Tasmanian components of the fishery.

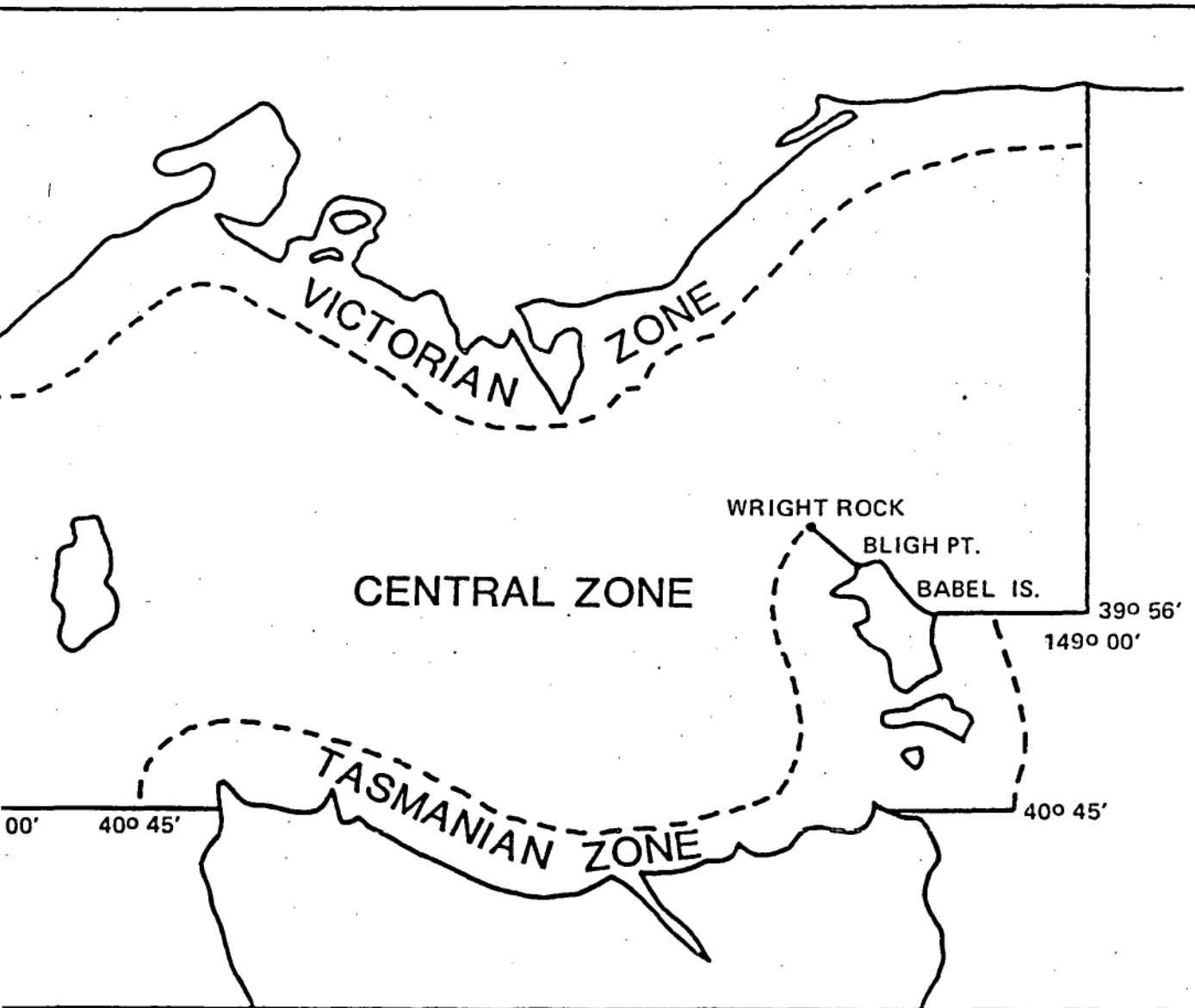
Given the agreement on longer term management Mr Kerin also indicated that the current ban on transfer of Commonwealth Bass Strait Scallop licences would be lifted.

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Further information: Bruce Lilburn (062) 72 5656

(chart attached)

# PROPOSED BASS STRAIT SCALLOP FISHERY ZONES



INDICATIVE MAP ONLY

19 JULY 1985

## APPENDIX TWO

### BASS STRAIT PETROLEUM REVENUE POLICY CASE STUDY

2:1 CHRONOLOGY OF POLICY DEVELOPMENT

2:2 MAJOR ACTORS

2:3 INTRODUCTION OF AN RRT FOR GREENFIELDS OFFSHORE  
PETROLEUM PROJECTS: Statement from Minister for Resources and Energy  
and the Treasurer

2:4 PETROLEUM POLICY IN AUSTRALIA: THE EXPLORATION  
INDUSTRY'S PERSPECTIVE: APEA March 1985



APPENDIX 2:1  
RESOURCE RENT TAX AND CASH BIDDING FOR OFFSHORE TITLES  
CHRONOLOGY OF POLICY DEVELOPMENT

1975: The RRT concept developed by R. Garnaut and A. Clunies Ross. in a paper titled "Uncertainty, Risk Aversion and the Taxing of Natural Resource Projects" published in the Economic Journal.

1976: The RRT concept as proposed by Garnaut and Clunies-Ross received the support of the then Liberal Prime Minister, Mr. Fraser, and the Labor Opposition, although not part of the government's programme

1977: The introduction of a RRT became part of the platform for a future Labor government, and became part of the party's policy. The Fraser Liberal government was forced to abandon the introduction of the RRT due to strong representations from the mining industry, particularly the Australian Mining Industry Council (AMIC).

5 March 1983: Hawke Labor government elected.

May 1983: The Bulletin magazine contains an exclusive interview with the newly appointed ALP Minister for Resources and Energy, Senator Peter Walsh, over the implementation of the Government's taxation policy for the minerals sector. The Minister reiterates the intention of the government to introduce the RRT for the offshore petroleum resources.

3 June 1983: Meeting of the Australian Minerals and Energy Council, (AMEC), the council of State and Commonwealth Ministers responsible for minerals and energy policy. This meeting discussed the intention of the Commonwealth to levy a RRT.

December 1983: The Commonwealth government releases a Discussion Paper on the Resource Rent Tax in the Petroleum sector.

January 1984: BHP publishes its response to the government's Discussion Paper, entitled Resource Rent Tax: Risk and the Drilling Decision.

20-23-24-25 January 1984: The Financial Review publishes a series of articles on the RRT proposal, giving both the industry and government viewpoints. The series was titled "The Oil Tax Minefield", and was authored by the AFR's feature writer on oil and gas matters, Rick Wilkinson

24 January 1984: Preliminary discussions between Senator Walsh and representatives of the oil and gas interests and corporate interests in Canberra over RRT. Submissions were made to the Minister on the December Discussion Paper. Meeting was reported as leading to an appreciation of each side of the others point of view. Reported at this meeting were representatives of the Department of Resources and Energy (DRE), the Treasury, APEA, AMIC, and the following companies, WOODSIDE, ESSO, BHP, CSR, SANTOS. Senator Walsh emphasised link with the RRT to the Cash bidding proposal, and the desire for the RRT to be dealt with before discussions were made on this policy.

February 1984: Commonwealth government releases paper titled Effects on Exploration of RRT with Full Exploration Loss Offsets.

February 1984: APEA produced a paper Key Arguments Against a Resources Rent Tax

3 February 1984: Meeting between States and the Commonwealth government over the introduction of a RRT onshore.

15 February 1984: APEA Seminar "Financing of Petroleum Exploration and Production"

March 1984: APEA circulates its paper Key Arguments Against a Resources Rent Tax to all members of federal Parliament.

April 1984: APEA Conference, Hobart, Tasmania.

April 1984: Combined submission of APEA and AMIC to the Economic Policy Advisory Council (EPAC)

April 1984: Commonwealth government releases paper Outline of a Greenfields Resource Rent Tax in the Petroleum Sector

18 April 1984: Press Statement by the Treasurer and the Minister for Resources and Energy summarising the proposed taxation arrangements to apply to the petroleum sector.

1 May 1984: The Bulletin publishes an article critical of the potential of the RRT to disrupt exploration in offshore Australia.

5-11 May 1984: Business Review Weekly states the the level of impost is looming as the main issue between the oil and gas industry and the government over the introduction of the RRT.

27 June 1984: Joint Press Statement by the Treasurer and the Minister for Resources and Energy: Resource Rent Tax on "Greenfields" Offshore Petroleum Projects. Announcement that the RRT would begin to apply to new developments from 1st of July 1984. (See Appendix 1:3).

1 July 1984: Abandonment of "new oil policy", the policy that guaranteed producers full import parity prices for post 1975 oil discoveries, with no additional tax to the the royalties and company tax. Introduction of an oil excise for existing offshore fields and onshore fields. The introduction of the RRT for offshore areas, unless excluded in announcement on 27 June 1984.

October 1984: Announcement that crude oil exise reduced for currently underdeveloped fields discovered before September 1975 in areas specifically excluded from "greenfields" RRT, including Bass Strait, a move welcomed by oil and gas interests.

February 1985: APEA Offshore Seminar. Paper by J.C. Starkey, 1st Assisstant secretary Petroleum Division DRE.

March 1985: APEA published Petroleum Policy in Australia: The Exploration Industry's Perception.

24-27 March 1985: APEA Conference Perth, Western Australia. Cash Bidding policy key government policy under discussion.

28 March 1985: Petroleum (Submerged Lands) (Cash Bidding) Ammendment Bill 1985 second reading in the Senate.

14 May 1985: Second Reading of "Cash Bidding Bill" resumed in the Senate.

15 May 1985: Liberal-National Party Opposition and the Australian Democrats combine to defeat the Petroleum (Submerged Lands) (Cash Bidding) Ammendment Bill.

28 May 1985: APEA Financial Seminar.

25 June 1985: Joint Statement from Premier Burke, Western Australia, and the Commonwealth Minister for Resources and Energy, Senator Evans over new royalty arrangements for Barrow Island oil field.

October 1985: Introduction of Petroleum Revenue Exise Tariff Bill Number 2 into Federal parliament. This bill aimed to develop a Resource Rent Royalty, or RRR, for application onshore. The RRR would complement the RRT developed for offshore areas.

6 November 1985: Reintroduction of Petroleum (Submerged Lands) (Cash Bidding) Ammendment Bill 1985 into the Senate, Bill modified to apply only to Timor Sea permits and was passed with a two year sunset clause appended. Title allocation in other areas was to be undertaken using a modification to the work programme system, including a "dry hole" agreement.

APPENDIX 2:2  
PETROLEUM REVENUE POLICY

MAJOR ACTORS

Government Agencies

Commonwealth:

DEPARTMENT OF RESOURCES AND ENERGY (DRE)

BUREAU OF MINERAL RESOURCES, GEOLOGY AND GEOPHYSICS (BMR)

Victoria:

OIL AND GAS DIVISION, Office of Minerals and Energy, Department of Industry, Technology and Resources

Tasmania:

DEPARTMENT OF MINES

The structure, function and influence on policy of the oil and gas agencies can be found in detail in Chapter Three of the thesis

Commonwealth - State consultative Bodies

AUSTRALIAN MINERALS AND ENERGY COUNCIL, AMEC. AMEC was established in 1976, replacing the former Australian Minerals Council (Aust. Year Book 1985:384). AMEC is the Council of Commonwealth and State Ministers responsible for minerals and energy matters. The Ministerial Council is advised by a standing Committee comprising Departmental heads or their nominees, (Yearbook 1985:384) and has established several advisory committees. these advisory committees deal with a range of issues as directed by the council.

OFFSHORE PETROLEUM JOINT AUTHORITIES.

The establishment of these authorities to manage the oil and gas production in offshore areas adjacent to the states derives from the "oil and gas package" of the Offshore Constitutional Settlement (OCS). The day to day administration of the areas is left to the designated authority, usually the State Minister responsible for minerals or energy policy. the Joint Authority negotiates royalty and exise payments and oversees the management of work programmes and other factors. The most important joint authority, in terms of both revenue and scale of

operation, is the Gippsland joint authority, responsible for the ESSO-BHP production licenses.

### Industry Organisations

AUSTRALIAN PETROLEUM EXPLORATION ASSOCIATION, APEA. The major industry group representing the oil and gas industry is APEA, as has been indicated above. As of February 1985 APEA had ninety-nine full members and one hundred and fifty associate members (APEA 1985). The associate members include the companies servicing all sectors of the oil and gas exploration industry, including suppliers of drilling rigs and major Australian banks (APEA 1985).

APEA was founded in 1959, as an organisation which would be able to help develop petroleum self sufficiency in Australia following initial discoveries of oil in the Rough Range area of Western Australia. (APEA 1985) The increasing numbers of companies involved in the oil search encouraged the development of APEA. APEA was able to provide a forum for technical and policy discussions concerning the exploration industry. The fact that APEA effectively predates the discovery of commercial quantities of oil and gas in the Gippsland Basin has allowed the association to have major input into the oil and gas policy in Australia. Today the APEA annual conference is the major meeting of its kind in the southern hemisphere, with up to nine hundred delegates attending (APEA 1985) APEA's involvement in the oil and gas policy process is emphasised by the association's perception of its role as promoting and developing the interests of the petroleum exploration industry through the maintenance of contact with the governments of the Commonwealth and the States and the Northern Territory. (APEA 1985).

APEA is administered by a directorate based in Sydney, with a full time staff of thirteen. The directorate is responsible for producing a range of publications and bulletins for its members, and undertaking lobbying of government and the bureaucracy. APEA is governed by a council, voted in to office at an Annual General Meeting. The councillors represent a range of corporate interests, with the council comprising members of small, medium and large companies. APEA's strong financial support from its corporate members allow the association to maximise its position in the policy process. An example of this impact

can be seen in the distribution of a paper giving APEA's opposition to the cash bidding proposal to all members of the federal parliament.

APEA runs a series of seminars each year addressing specific issues concerning oil and gas developments, in addition to the annual conference. These forums are seen as important mechanisms for the association to discuss policy issues concerning the petroleum exploration industry. The APEA conference allows the leaders of government and senior administrators to meet and discuss policies with the industry. The last two APEA conferences, (1984 and 1985) have had contributions from both the government and opposition on, the RRT and later the cash bidding proposals.

#### AUSTRALIAN MINING INDUSTRY COUNCIL, AMIC.

AMIC is the peak council for the mining industry, and has a similar role to that of APEA in the oil and gas industry. AMIC's involvement in the case study relates to the production of joint submissions on government policy in the mining sector with APEA. One such submission was to EPAC, the Economic Planning and Advisory Council. AMIC's concern with the RRT was in part due to the government's original intention to establish a RRT regime in the coal industry.

#### OIL AND GAS COMPANIES.

Although APEA provides an industry viewpoint in policy discussions, it is important to indicate that individual oil companies are also actively involved in interaction with policy making agencies and the government. In some cases the individual companies may pursue policy options independent of the industry organisation, APEA. This is evident in the development of the RRT policy where BHP was particularly active in discussions over the tax. This is in response to the company's interests in the Bass Strait fields but more importantly the company was concerned over the parameters of the RRT due to its discovery of a large oil field, Jabiru, in the Timor Sea. BHP was instrumental in gaining support from other companies that the key issues with the RRT were the parameters of the tax, particularly the threshold rate. BHP may have felt that since Jabiru initially at least had a extremely high level of prospectivity, the production from the field would soon exceed the

margin set by the government's threshold rate. This active involvement in discussions over the implementation of the RRT contrasts with APEA's position of being in opposition to the tax.

BHP's role in management decisions in the Bass Strait fields is a secondary one, as ESSO (AUST), its joint venture partner in the development is the manager of the field. ESSO is involved in discussions with the Commonwealth and Victorian governments (the "designated authority") over discussions on production rates and the payments of royalties and excise on production. ESSO was also involved in discussions with the Commonwealth Minister over the RRT in January 1984, its expertise in the Gippsland field making it an important actor in the discussions. Several other companies were involved in the meeting with the then Minister for Resources and Energy, Senator Walsh, including WOODSIDE, SANTOS and WAPET. These companies were involved in the discussions due to their interests in either exploration or production in offshore areas outside Bass Strait. WOODSIDE is involved in the North West Shelf development. Other companies involved in the exploration programmes in either the Otway or Bass Basins, either as individual companies or in consortiums, (which includes SHELL, AMOCO and AQUITAINE), were not involved in discussions as separate actors.

The companies involved in exploration programmes in offshore waters around Australia have to comply with standards regarding the amount of foreign investment allowed in resource development projects. These standards encourage the development of consortiums which have foreign owned companies (a trans-national oil company for example) as a partner with Australian companies. Successful Australian companies who gain permits may enter into "farm out" agreements with foreign companies to increase the potential for success in the development. Major foreign owned oil and gas companies may establish Australian subsidiaries to fulfill foreign investment standards.

## Resource Rent Tax on 'Greenfields' Offshore Petroleum Projects — Joint Press Statement by the Treasurer and the Minister for Resources and Energy, 27 June 1984

The intention to introduce a resource rent tax (RRT) in respect of certain mineral-based activities has been in the policy platform of the Australian Labor Party since 1977. Following its election in March 1983, the Government set about the task of giving effect to this intention and, after extensive consultations with industry over several months, is now in a position to announce firm details of the RRT to apply to 'Greenfields' offshore petroleum projects with effect from 1 July 1984.

The Government believes that an RRT regime, which is related to achieved profits, is the most efficient mechanism for deriving for the community an appropriate share of the large returns that can be associated with the development of particularly rich mineral deposits. Alternative secondary taxing regimes, such as the excises and royalties applying in the petroleum sector, are often based on production and, as such, can both discourage marginal projects from getting under way and bring about the early termination of projects.

In its consideration of possible RRT arrangements for the petroleum sector, the Government released three papers for public discussion:

- *Discussion Paper on Resource Rent Tax in the Petroleum Sector*, December 1983;
- *Effects on Exploration of RRT with Full Exploration Loss Offsets*, February 1984;
- *Outline of a 'Greenfields' Resource Rent Tax in the Petroleum Sector*, April 1984.

Comments were invited and received on these papers and consultations have been held with the industry and the States. The Government has given very careful consideration to the views of the industry and the States and, in so doing, has modified significantly its initial thinking on a number of aspects of the RRT. During the course of these consultations the Government decided, for a variety of reasons, to narrow the focus of the proposed RRT to 'Greenfields' offshore petroleum projects.

This statement outlines the principal policy elements of the RRT arrangements to apply to such projects. The Government considers these to be firm and settled. Some of the finer details in relation to certain aspects of the tax will need to be finalised as the drafting of legislation and the development of administrative guidelines proceeds. That process will be completed as soon as practical; any further comments that industry might wish to offer on matters of detail will be considered by the Government.

It is the Government's intention to abolish royalties (10 to 12.5 percent of net wellhead value) in respect of projects for which the RRT will apply. The Government will be approaching the States to discuss the arrangements to give effect to this intention. Abolition of royalties in 'Greenfields' areas is an important part of the RRT package which should not be overlooked in any assessment of its likely impact on exploration and development activities. The abolition of royalties can be expected to be especially beneficial to the development of small, marginal fields. To the extent that these fields attracted any RRT payments those payments would tend to be late in the life of the fields.

In contrast to alternative production based secondary tax regimes, the RRT will be payable only on those projects earning, before company tax, a minimum rate of return on the project outlays. The 'government RRT take' from large offshore fields of the size of Fortescue will be substantially less than it would be if, for example, the recently announced excise (and royalty) arrangements for 'new' oil were to apply. Clearly, highly profitable projects will still be able to earn profits well above the threshold rate, since the tax rate is well below 100 per cent.

The Government believes that, seen in their totality, the arrangements decided upon represent a very reasonable balance between the objectives of satisfying the interests of the community as a whole in sharing in the benefits of very profitable offshore petroleum projects, and of providing companies with adequate rewards in return for the risks that they accept in undertaking offshore exploration and development activities. The Government also believes that these arrangements should be seen as forming a firm and stable basis upon which companies can progress their exploration and investment decisions.

### Coverage

The RRT regime will apply with effect from 1 July 1984 in offshore areas where the Commonwealth's Petroleum (Submerged Lands) Act applies, other than in specified areas which will continue to be subject to excise and royalty arrangements. The excluded areas are those covered by production licences granted before 1 July 1984 and the permit areas from which those licences were drawn — specifically, the Bass Strait and North West Shelf production licence areas, and the unrelinquished areas of associated permits Vic-P-1, WA-1-P and WA-28-P. Within these areas, the present excise and royalty arrangements applicable to 'old' and 'new' oil will continue to apply.

The RRT will apply in respect of income from the recovery of all petroleum, including crude oil, condensate, natural gas, LPG and ethane.

### Order of Assessment

The RRT will be levied prior to company tax and payments of RRT will be a deduction for company tax purposes. The RRT is to be applied separately to each individual project and not to aggregate company results. Consequently, levying RRT after company tax would involve having to split company tax assessments so that an appropriate company tax deduction could be attributed to each project subject to RRT. Levying RRT before company tax avoids this administrative complexity.

### The Tax Base

The tax will apply to profits which exceed the specified threshold level. Profitability will be determined by reference to actual expenditures. Further details are provided in Attachment 1 but, in brief, the tax base will be defined to:

- allow current and capital expenditures to be written off immediately in the year in which they are paid, with any excess of expenditures over receipts at the end of a year being compounded forward at the threshold rate; and
- exclude payments and receipts relating to the provision of debt and equity capital.

When the accumulated value of net assessable receipts (assessable receipts less deductible expenditures) becomes positive at the threshold rate, the RRT will be applied at the specified tax rate. Future positive net assessable receipts will be liable for RRT at the specified tax rate. If in subsequent years deductible expenditures exceed assessable receipts, the excess will be compounded forward at the threshold rate again. An illustration of the operation of the RRT is given in Attachment 2.

### Threshold and Tax Rate

The Government has given further consideration to the threshold and tax rate in the light of strong representations made by the industry. It has decided that the threshold should be set at the long-term bond rate (currently about 14 per cent) plus 15 percentage points. The tax rate is to be set at 40 per cent.

The linking of the threshold rate to movements in the Commonwealth long-term bond rate is intended to allow automatically for changes in the rate of inflation and movements in real interest rates.

The threshold and the tax rate have been set at levels which, in the Government's view, represent a reasonable balance between revenue and oil exploration objectives. The chosen parameters compare with the proposed threshold of long term bond rate plus 10 percentage points and the proposed tax rate of 45 per cent presented in the Government's April 1984 discussion paper.

### Exploration Expenditure

Eligible exploration expenditure will be expenditure within the original exploration permit area from which the associated production licence(s) is drawn. Eligible exploration expenditure from 1 July 1984 will be deductible for RRT purposes against assessable receipts derived from the production licence area(s) contained within the original permit area in which the exploration takes place. The Government has also decided to allow deductions for eligible exploration expenditure made in the 5 years preceding 1 July 1984 on the same basis as for that made on or after that date.

eligible exploration expenditure may be compounded year by year at the threshold rate will be limited to 5 years. Expenditure prior to that 5 year period will not attract compounding at the threshold rate; instead, such expenditure will be compounded year by year at a rate equal to the GDP deflator so as to allow for the effects of inflation and deducted after all expenditure subject to the threshold rate has been deducted.

#### *The Tax Unit*

The RRT will be assessed on a project basis. Rules for determining a project for RRT purposes will be specified in legislation but the basic principles are that:

- the project will represent an integrated investment and could include a number of proximate fields. Broadly, the boundaries of an integrated investment will comprise a production licence area and treatment and other facilities and operations outside that area which are integral to the production of a 'marketable' petroleum product;
- the taxable output of a project (that is, the 'marketable' petroleum product) will be treated as 'marketable' for assessment purposes at the first point in the production process at which it is saleable commercially, even though an actual sale may not have taken place at that point;
- if no sale takes place at that point, or where a non-arm's-length sale occurs, an income value will be attributed to the product at the RRT assessment point;
- project boundaries for RRT assessment will not extend beyond the petroleum production stage to downstream activities such as refineries and facilities for transporting 'marketable' products. This means that neither expenditure on downstream activities, nor value added to products through those activities, will be taken into account in calculating liability for RRT;
- the scope of project expenditure and income to be taken into account will encompass certain infrastructure where this is integral to the production of a 'marketable' product, including social infrastructure (eg housing and associated facilities of the kind that qualify for deduction under the petroleum mining provisions of the income tax law) provided principally for employees of the project and their dependants, and office buildings situated at or proximate to the site of petroleum operations; and
- expenses not directly related to the project will be excluded. For example, where an entity has diverse interests, only one of which is a project assessable for RRT, only those costs incurred at its head office which are solely attributable to the RRT project will be deductible for RRT purposes. Clearly identified expenditures, such as project engineering design costs carried out in the head office therefore would be deductible, even though this might involve an apportionment of some employees' wage costs between time spent on that activity and the remainder spent on other activities not directly associated with an RRT project. General overhead costs incurred at head office would not, however, be deductible.

Some further details on the tax base are provided in Attachment 1.

#### *Changes in Ownership and Farm-Ins*

A project's year-by-year overall liability for RRT will not be influenced by changes in ownership or implementation of farm-in agreements: the project participants will be assessed on the basis of eligible project expenditures and receipts. Any cash payments made for entering a joint venture will not be deductible to the purchaser or assessable to the vendor for RRT purposes. This treatment will apply to changes in ownership and farm-ins effected both prior to and on or after 1 July 1984.

In the case of full acquisition of a company's interest in a project, the purchasers will be entitled to claim deductions for the whole of the vendor's undeducted expenditure for RRT purposes. In the case of partial acquisition, whether by a cash transaction or a farm-in, deductions will accrue to the party actually making the eligible expenditure. However, in respect of eligible expenditure incurred prior to 1 July 1984, formal agreements among the parties concerned for sharing deductions for that expenditure for RRT purposes would be recognised.

#### *Joint Ventures*

In general, each joint venturer in a project will be assessed for RRT on the basis of his actual expenditure on, and revenue from, the project. The only exceptions relate to eligible undeducted expenditures in the case of full acquisitions and expenditures prior to 1 July 1984 reallocated according to any formal agreements, as discussed above.

hands of the recipient. The company paying the royalty will place the treatment of override royalties such royalty payments in the assessment of RRT. This will place the treatment of override royalties on the same footing as that for cash payments made in the context of ownership changes and farm-ins. This means that a project's annual overall liability for RRT will not be affected by cash transfers under either override royalty or acquisition arrangements.

#### *Treatment of Cash Bids*

As announced previously, the Government is considering introducing a system of cash bidding for the allocation of selected offshore exploration acreage. Should such a system be introduced, the Government has decided that cash bids will not be deductible for RRT purposes. Non-deductibility has the advantage that it would simplify the RRT arrangements. It could also assist in promoting competition for acreage relative to allowing deductibility.

#### *Provisional Payment Arrangements*

A system of provisional instalments of RRT will be incorporated in the RRT legislation to reduce lags in RRT payments, but no RRT payable in respect of any income year will be collected in advance of that year. In this connection it is noted that the RRT is an alternative to royalty and excise payments which are collected on a current year basis.

#### *End-of-Project-Life Adjustments*

It is possible that the expenses of closing down petroleum operations could result in unrecouped RRT deductions at the end of a project. In practical terms, however, this will not be an issue in Australia for many years hence. Accordingly, the Government has decided not to attempt to anticipate at this stage the specific end-of-project-life adjustments to RRT liability that might eventually be appropriate. The Government will re-assess the need for, and nature of, such adjustments in the light of future developments.

Canberra

27 June 1984

### **Attachment 1 RRT Assessable Receipts and Deductible Expenditures**

This attachment provides additional detail in regard to the treatment for RRT purposes of certain receipts and expenditure items discussed in the body of the paper.

Liability for RRT will be assessed on a cash flow basis. This means that income from the project will be taken into account when it is received, or deemed to be received (see below), and expenditures will be taken into account when they are paid.

#### **Assessable Receipts**

Assessable receipts for RRT purposes will include the following:

- receipts from the sale of a marketable petroleum product (including crude oil, condensate, natural gas, LPG and ethane) derived from the project, where sale occurs at the point at which the product is first marketable commercially and the sale is on an arm's-length basis. If no sale takes place at that point, or where a non-arm's-length sale takes place, a taxable value will be attributed to the product on the basis of its market value having regard to recognised markets;



- the project and in respect of which an RRT deduction has been allowed or is allowable;
- charges for accommodation facilities, eating facilities, etc for project employees or their dependants, the cost of which has been allowed or is allowable as an RRT deduction; and
- insurance recoveries received on project property for which an RRT deduction has been allowed or is allowable.

Classes of receipts which will not be assessable for RRT purposes include:

- amounts received as loans and, in respect of loans made, receipts of interest and capital repayments received from borrowers;
- share capital and other amounts received as shareholders' funds, dividends and bonus share issues from associated companies; and
- private override royalty income.

### Deductible Expenditures

Capital and current expenditures directly related to a project which is assessable for RRT purposes will be deductible in the year of payment.

### Exploration Expenditure

Eligible exploration expenditures for RRT purposes are discussed in the body of the paper. Exploration expenditure will be defined in broadly the same manner as it is under the company tax provisions for petroleum miners, and will include, for example, geological, geophysical and geochemical surveys, exploration drilling and appraisal drilling.

### Other Expenditure

Other deductible project expenditures will generally comprise those in respect of a production licence area and expenditures outside that area necessary to obtain a marketable petroleum product.

Some indicative examples of the kinds of expenditures which will be allowed as deductions are:

- expenditure on production platforms, drilling plant and equipment and overheads at the wellhead;
- expenditure on pipelines and other facilities (including tankers dedicated to the project) for transporting petroleum from the wellhead to a mainland reception point or to a point of further treatment as described hereunder;
- expenditure on plant for use in treatment processes necessary to produce a marketable petroleum product, eg expenditure on a crude oil stabilisation plant, or a gas liquids fractionation plant;
- expenditure on land and buildings dedicated to the project, eg site offices and maintenance buildings;
- expenditure on providing water, light, power, access and communication facilities for the project;
- expenditure on housing, health, educational, recreational and meals facilities provided wholly or principally for project employees and their dependants;
- project closing-down costs, eg for the removal of drilling platforms and environmental restoration;
- wage costs of project employees (including costs of staff located away from the project area but who are fully engaged for all or part of a year in project-related activities) and payments to project contractors;
- general administration and management expenses associated with running a project site office;
- insurance premiums on buildings, plant, etc dedicated to the project;
- licence fees and like costs relating to attaining a production licence; and
- costs of feasibility studies and environmental impact studies related to the project.

Non-deductible expenditures will include:

- interest payments and repayments of principal in respect of borrowings;
- dividend payments, bonus share issues and equity capital repayments;
- expenditure on treatment processes beyond the stage where petroleum products obtained from the project are in a commercially saleable form (eg expenditure on natural gas liquefaction processes or on the refining of crude oil) and on transport costs beyond that stage;

interests only one of which is a project assessable for RRT, no part of head office accounting and auditing fees, pay-roll preparation costs, and the costs of maintaining the head office motor vehicle fleet, will be deductible for RRT purposes. (However, those head office expenditures clearly identified with the project assessable for RRT, such as project engineering design costs, will be deductible);

- private override royalty payments;
- any payments made under a cash-bidding system;
- expenses accrued but not paid, eg accruing employee leave entitlements and provisions for contingent costs such as platform dismantling; and
- depreciation charges and income tax payments.

### Attachment 2

#### Sample Calculation of Revenue under RRT

Single Threshold Rate of 30%

Single Tax Rate of 40%

Column	1 Net Receipts \$m	2 Accumulated Net Receipts at 30%	3 RRT Revenue (a)	4 Net Receipts After RRT	5 Project Internal Rate of Return %	6 After RRT Internal Rate of Return
Year 1	-180.0	-180.0	0.0	-180.0	-	-
Year 2	-424.0	-658.0	0.0	-424.0	-	-
Year 3	353.0	-502.4	0.0	353.0	-	-
Year 4	571.0	-82.1	0.0	571.0	24.9	24.9
Year 5	636.0	529.2	211.7	424.3	48.5	42.0
Year 6	815.0	815.0	326.0	489.0	61.0	51.5
Year 7	904.0	904.0	361.6	542.4	67.2	56.7
Year 8	1003.0	1003.0	401.2	601.8	70.6	59.8
Year 9	1112.0	1112.0	444.8	667.2	72.5	61.6
Year 10	1173.0	1173.0	469.2	703.8	73.5	62.7
Year 11	1123.0	1123.0	449.2	673.8	74.1	63.3
Year 12	968.0	968.0	387.2	580.8	74.4	63.6
Year 13	831.0	831.0	332.4	498.6	74.5	63.8
Year 14	761.0	761.0	304.4	456.6	74.6	63.9
Year 15	676.0	676.0	270.4	405.6	74.6	63.9
Year 16	564.0	564.0	225.6	338.4	74.6	64.0
Year 17	227.0	227.0	90.8	136.2	74.6	64.0

(a) Assumes RRT is paid in the same year that the liability is incurred.

# PETROLEUM POLICY IN AUSTRALIA: THE EXPLORATION INDUSTRY'S PERSPECTIVE

March 1985

Australian Petroleum Exploration  
Association Limited



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## 1.0 APEA aims and objectives

The Association's members comprise most of the companies, local and foreign, engaged in Australia in the search for oil and natural gas, and the Council of the Association consists of 16 company nominees elected to represent these explorers.

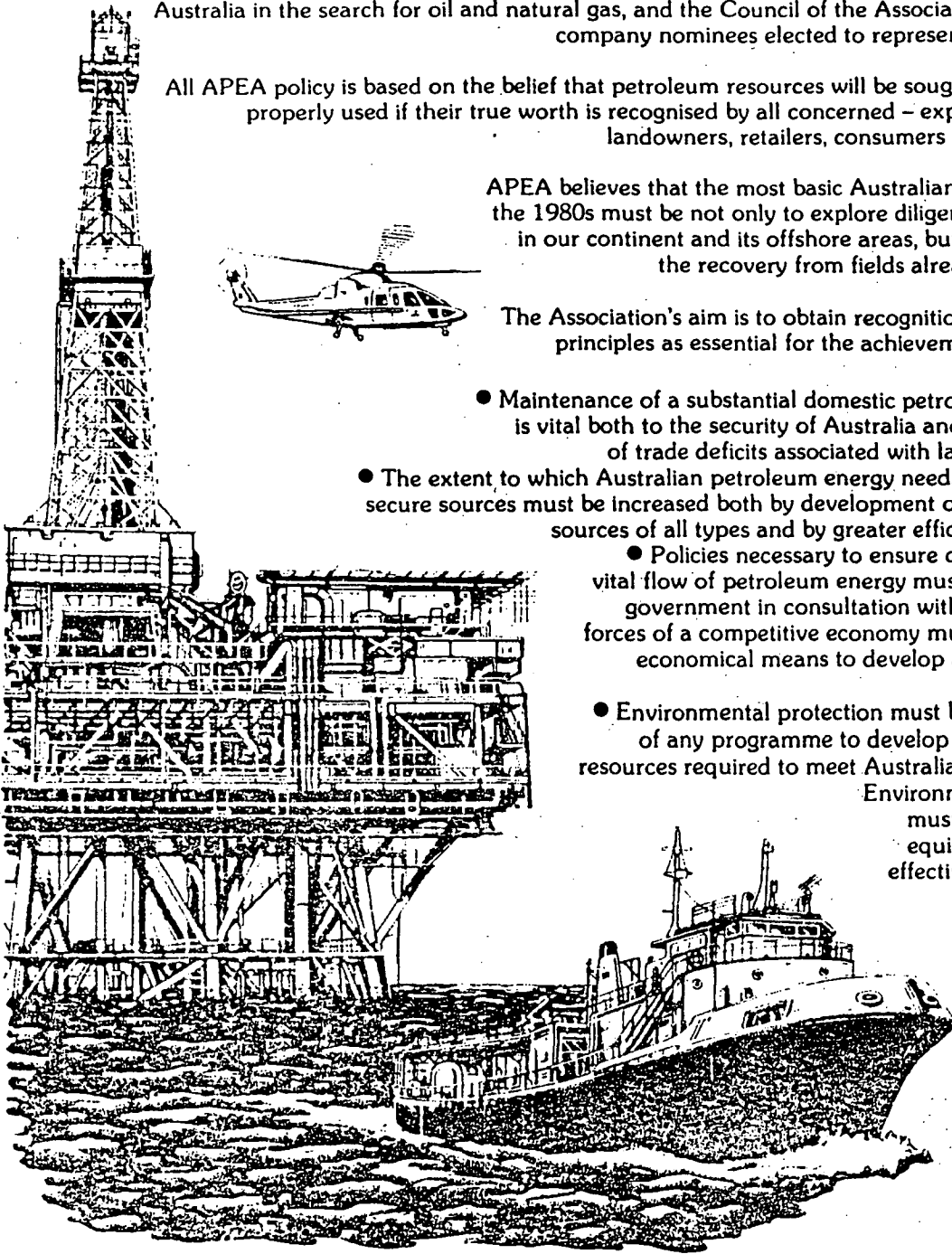
All APEA policy is based on the belief that petroleum resources will be sought, developed and properly used if their true worth is recognised by all concerned – explorers, producers, landowners, retailers, consumers and governments.

APEA believes that the most basic Australian energy policy for the 1980s must be not only to explore diligently for petroleum in our continent and its offshore areas, but also to maximise the recovery from fields already in production.

The Association's aim is to obtain recognition of the following principles as essential for the achievement of long-range energy goals:

- Maintenance of a substantial domestic petroleum energy base is vital both to the security of Australia and to avoid balance of trade deficits associated with large-scale imports;
- The extent to which Australian petroleum energy needs can be met from secure sources must be increased both by development of domestic energy sources of all types and by greater efficiency of their use;
- Policies necessary to ensure continuance of the vital flow of petroleum energy must be developed by government in consultation with industry. Market forces of a competitive economy must guide the most economical means to develop and allocate these resources; and
- Environmental protection must be an integral part of any programme to develop the secure energy resources required to meet Australia's essential needs.

Environmental regulations must be clearly stated, equitably applied, cost effective and sufficiently durable to assure compliance in the best community interests, which includes maintenance of adequate levels of petroleum security.



## 2.0 Policy summary

The petroleum exploration and production industry has an important role to play in Australia's economic growth through its contribution to strategic energy supplies, the balance of payments, investment, employment via linkages with other industries, and government revenue. In order to continue making this contribution the industry will need a long-term potential to earn profits commensurate with the risks involved.

Australia has very large recoverable gas resources with the prospect of finding much more, but a high proportion is remote from the main markets. On the other hand, Australia's oil resources are insufficient to maintain the present level of self-sufficiency in light crude oil beyond about 1988. Self-sufficiency will decline rapidly in the 1990s unless substantial new reserves are found soon.

Assessments of Australia's future oil potential indicate that Australia has a 50:50 chance of finding between three and four billion barrels of which about two billion barrels will probably be in areas reasonably conducive to conventional development practices.

There is less certainty about the time span over which the estimated oil potential will be discovered. This uncertainty stems from the fact that the rate at which Australian industry discovers and develops new oil is more a function of economic expectation than geology.

The next 20 years will be the minimum time necessary to bridge the gap between dependence on conventional liquid fuels and development of non-conventional energy sources. Thus, it is crucial that industry be encouraged to realise Australia's full prospectivity by maximising discovery and development of conventional liquid fuels during this critical period.

The balance between taxation and investment in exploration and production is extremely delicate. As the real cost of finding and developing oil and gas increases while energy prices are projected to decline in real terms, governments cannot expect to extract the same proportion of revenue from the petroleum industry as they have in the past.

Economic and political factors are no longer providing sufficient incentives for offshore exploration. Overall rates of activity are being sustained because of recent programmes onshore where the success rate is high but the field size is relatively small. Given its scale of contribution to production compared with Australia's medium to long term needs, onshore exploration needs to be maintained at even higher rates than at present. This activity would be best stimulated by improved incentives to raise risk capital and less competition between State and Federal governments in regulating and taxing such operations.

APEA believes that medium and long-term goals should be:

- To maintain the present level of self-sufficiency in light crude oil.
- To make optimum use of natural gas, condensate and LPG resources.

Maintaining self-sufficiency will require a big increase in exploration in view of the small size of oil discoveries now being made. Some fluctuation in exploration activity is inevitable for cyclical reasons but sharp fluctuations caused by 'stop-go' government policies should be avoided.

Policies necessary to achieve steady continuous growth in exploration are:

- Import parity prices for crude oil and alternative fuel parity prices for gas.
- A stable non-discriminatory tax system which recognises a need for a reward commensurate with the high risks involved.

- Ready access to markets – domestic or export.
- Unrestricted access to equipment and expertise.
- Access to high risk capital (foreign investment, stock exchange raisings, retained earnings).
- A supportive fiscal and regulatory environment which will provide access to acreage unimpeded by onerous Aboriginal land rights legislation and environmental restrictions, cash bonus bidding and other government regulations.
- Macroeconomic policies which restrain inflation and interest rates.

### **3.0 Bipartisan policy recommendations**

APEA recommends to all Federal political parties that the following points should form the basis of policy relating to energy exploration, development and transportation:

**3.1** Oil and gas exploration and development is a high-risk business in which governments should not gamble. Given the necessary economic and political environment and reasonable regulations, the private sector can pursue this business more efficiently and at lower ultimate costs to society;

**3.2** The Federal Government should maintain clearly expressed conditions under which all explorers may obtain exploration rights as well as produce and sell the oil and/or gas they find. When the Government lays down petroleum tax policies, these policies should not be changed following a successful outcome. To do so is to no longer recognise the real risks of failure and loss of capital initially faced by explorers;

**3.3** To safeguard the national interest, Australian jurisdiction over the seabed and sub-soil mineral resources to the outer edge of the continental margin should be retained;

**3.4** Very large capital investments will be required if the nation's rising energy demands are to be met. To generate and attract these funds, it is vital to strengthen rather than reduce tax incentives which encourage the discovery and development of additional reserves. Historically, these incentives have played a key role in making available new sources of oil and gas to meet consumer needs. Foreign investors need to be encouraged both because the Australian capital market is not large enough to finance resource projects and because most of the technologies associated with the petroleum industry are generated overseas;

**3.5** Because of the economic handicap attached to the remoteness of many of the prospective areas and actual discoveries, production at rates in excess of those required by the limited Australian market will be needed to justify the development of discoveries, particularly of natural gas. Reserves are not usable until markets have been assured and facilities for production have been installed. Realistic domestic reserves/consumption ratios should be assessed and hydrocarbon reserves above that ratio requirement be freed for export. This will ensure sufficient annual return on funds to justify the enormous capital expenditures required in exploitation;

**3.6** Co-ordination in the administration of energy policies between Federal and State governments that clearly reflect the principles outlined above, and which embrace all forms of energy, is imperative to ensure that Australia's energy needs are met;

**3.7** There is a need for co-ordination of Federal/State taxation policies to overcome the duplication, competition and fractured nature of the current system which exacerbates taxation pressures on the resources-based industries. A major dimension of the current resource debate concerns the distribution between the States of the benefits of mineral development and the States are tending more towards employing practices to increase their revenue by indirect measures of resource taxation. A central concern of resource industry tax policy must be to provide an appropriate working environment for petroleum exploration and development when both levels of government have some jurisdiction over these activities.

## **4.0 Demand/supply outlook**

**4.1** The Australian oil and gas production industry is undergoing significant structural changes:

- Crude oil production from the major Bass Strait fields, discovered in the 1960s, is already declining. Total Bass Strait crude oil production is projected to begin declining rapidly within the next few years.
- A small but increasing proportion of crude oil is being supplied from the Cooper/Eromanga, Canning and Amadeus Basins.
- Fuel oil usage is being replaced by natural gas in Western Australia from the North-West Shelf and potentially in other parts of Australia from the Amadeus and Bowen Basins.
- Condensate production is growing with additional supplies of condensate being generated for the domestic and export markets by the Cooper Basin liquids project (about 15,000 barrels per day) and about 6,000 barrels per day will be generated by stage one of the North-West Shelf natural gas project.
- LPG production is being expanded by the Cooper Basin liquids project by almost 20,000 barrels per day and about 80 per cent of this additional production is being exported.

**4.2** Australia has large deposits of recoverable natural gas in relation to requirements but major deposits are inconveniently located in deep cyclone-prone waters or desert areas remote from markets. More than half Australia's natural gas resources are offshore north-western Australia and will not be commercially developed for many years. The industry and the Bureau of Mineral Resources are confident that further large natural gas resources will be discovered during the oil search particularly offshore Western Australia and Northern Territory.

Natural gas deposits offshore north-western Australia provide a huge capacity for export with the second stage of the North-West Shelf gas project scheduled to supply LNG to Japanese utilities from October 1989.

The options for further use of other north-western Australian natural gas resources are mainly long term without a technological breakthrough, or market changes. Options include the development of new industries in Western Australia based on natural gas, transport as gas by pipeline or as LNG by ship to eastern Australia, shipment as LNG to overseas markets, or conversion to liquid fuels such as methanol or synthetic crude oil.

The natural gas potential is comparatively limited in eastern Australia though still significant in relation to demand into the next century. Cooper Basin producers have stated they have proved sufficient reserves to fulfil contractual obligations in New South Wales until 2006. Additional reserves will need to be proved to guarantee supplies to the South Australian market into the 1990s and beyond. Victoria has sufficient reserves until 2030 and the possibility exists to pipe surplus supplies to Adelaide or New South Wales.

Recent discoveries in Queensland will help assure supplies for that State's market and could also supply the South Australian market. Amadeus Basin gas is being piped to Alice Springs and a project to use this gas in Darwin and Gove is being planned.

Most pricing arrangements for the sale of natural gas to eastern Australian markets currently provide little incentive to explore for gas and most additions to reserves occur while looking for oil.

**4.3** Recent expansions in production capacity coinciding with a fall in demand have resulted in a temporary surplus of light crude oil. The exportable surplus of light crude oil is expected to continue for only two or three years.

Indigenous crude oil supplied about 75 per cent of Australian refiners' crude oil requirements in 1983/84 and 6.6 million barrels was exported. Australia does not have reserves of heavy crude oil which are therefore imported to produce fuel oil, lubricants and bitumen.

Even if demand grows at an average annual rate of only 0.2 per cent as projected by the Federal Department of Resources and Energy, Australia's self-sufficiency will fall to about 30 per cent by 1995 if no further discoveries are made.

The two most recent published sources for assessing Australia's undiscovered oil potential are the Bureau of Mineral Resources and Esso Australia. Both agree that there is about a 50:50 chance of a further two billion barrels of oil being found in Australian basins by the end of the century.

To sustain self-sufficiency at a reasonable level will require both onshore and offshore exploration activity to remain at or above historically high rates achieved in the past few years. Indications are that this is particularly at risk in offshore areas. Seismic activity, the forerunner to drilling, has fallen sharply since 1982 and only four drilling vessels were working in Australian waters at the end of 1984 compared with a maximum of ten in 1983. The decline in activity is attributed to the failure to make a major discovery in the past six years, declining international oil prices, adverse changes to the taxation system, the completion of some work programmes and the awarding of few new exploration permits in the past two years.

Meanwhile, onshore activity remains buoyant, although it is concentrated in the Cooper/Eromanga, Bowen/Surat and Canning basins, encouraged by the high success ratio there, comparatively low costs, shorter lead times and existing or planned infrastructure such as pipelines. However, discoveries in these areas remain small. In order to make a greater contribution to offset the decline in production from Bass Strait, onshore activity will need to be increased considerably in both producing and non-producing areas.

**4.4** Current demand/supply projections suggest that international oil prices will continue to decline in real terms through to the end of the decade. The crude oil oversupply situation is expected to be exhausted by the end of the decade when some analysts suggest there might be a mild oil shock. One scenario Australia cannot afford to overlook is that, unless large reserves are found elsewhere, the world will again become dependent on the Middle East for oil in the 1990s. Thus, the next five years will be critical for finding oil in Australia to offset the steep decline in production from existing reserves and to insulate this country from oil supply shocks when the Middle East regains its dominant position.

**4.5** Although Australia has large supplies of natural gas, oil shale and coal which could be converted to liquid fuel, the costs are very high and in many cases the commercial application of the technology is unproven. Oil exploration is still regarded as one of the most cost-beneficial means of improving the oil demand/supply balance. Given the right economic and political climate, costs can be contained and oil exploration is a cheaper way of obtaining oil than producing synthetic crude oil.



## 5.0 The key arithmetic

**5.1** Crude oil and natural gas production have helped to insulate Australia's balance of payments from the adverse impact of the two OPEC oil price shocks.

In 1983/84, indigenous production saved crude oil imports worth \$5,535 million as well as generating crude oil exports worth \$203 million and LPG exports worth \$502 million. Without these credits, Australia's balance of trade surplus of \$231 million would have been a loss of \$6,019 million. The current account deficit would have almost doubled which would have required a huge increase in net overseas capital inflow or a large reduction in foreign exchange reserves.

**5.2** The petroleum exploration and production industry is a major long-term investor. It is capital intensive and a major source of foreign capital inflow through equity and loan funds.

In the five years to December 1984, it spent about \$3,400 million on exploration and \$4,800 million on development. For example, in 1983, petroleum exploration and development expenditure amounting to \$1,849 million contributed 67 per cent of new fixed capital expenditure by private enterprise in the mining sector. Projects included North-West Shelf natural gas, Cooper Basin liquids, Bass Strait oil and gas expansion, Palm Valley gas and Mereenie oilfield development.

**5.3** The petroleum production industry currently contributes about nine per cent of Federal Government revenue through the crude oil and LPG production excise, royalties and company tax. It also provides revenue to State governments through royalties and other payments. An industry survey indicated that, in 1983, the oil and gas industry paid governments \$4,794 million in excise, royalties, company tax and other taxes.

**5.4** Demand for petroleum fuels (excluding LPG) is assumed to be likely to increase at the rate of 0.2 per cent per year as forecast by the Department of Resources and Energy in its recent publication: 'Forecasts of Energy Demand and Supply, Australia 1982-83 to 1991-92'. Basically, this foresees demand rising gradually from just under 220 million barrels a year to some 235 million barrels. In order to maintain self-sufficiency the industry needs to drill more than 200 wells per year and maintain an average annual discovery rate of 200 million barrels to compensate for the decline in production from existing fields.

## 6.0 Comments on current issues

The petroleum exploration industry is particularly sensitive to government policy. Positive action by government such as the pricing of 'new' oil at world parity in 1975 was followed by accelerated exploration activity. Conversely negative policies were responsible for a sharp decline in petroleum exploration activity in the mid-1970s.

### 6.1 Taxation

Within the petroleum industry the balance between government taxation and future investment is becoming extremely delicate. As the cost of finding and developing oil and gas increases with greater physical difficulties, governments logically cannot expect to extract the same proportion of the industry's revenue as they have in the past ... and yet they are seeking more.

On 1 July 1984, the Federal Government formally abandoned the 'new' oil policy which guaranteed producers full import parity prices for post-1975 oil discoveries with no tax additional to royalties and company tax. A 'new' oil excise with a top marginal rate of 35 per cent was imposed on production from existing offshore fields and onshore fields. A resource rent tax of 40 per cent on cash flows exceeding a pre-company tax threshold rate of return of 15 per cent above the long-term bond rate will replace royalties on 'greenfield' oil and gas projects in offshore areas controlled by the Federal Government.

ese arrangements for additional taxation have:

Increased the number of tax systems applying to the petroleum industry thereby discriminating between sections of the industry and distorting exploration investment decisions.

Discouraged rank wildcat exploration in high-risk/high-cost areas which could offer the best prospect for a large discovery.

Added to the complexity of the taxation arrangements applying to the petroleum industry, particularly for fields straddling both excise/royalty and RRT areas. The RRT involves considerable administrative problems which would be particularly severe if an attempt was made to apply a RRT to new developments associated with existing projects.

Created problems for industry of competition for revenue by State and Federal governments. State governments have the residual constitutional right to charge royalties on minerals and the Queensland Government has refused to allow the 'new' oil excise to be deducted from wellhead value when calculating royalties. Other States have indicated they may follow Queensland's example. Moreover, the Federal Government has not resolved the political problem of compensating State governments for the royalties they will forego as a result of the RRT being introduced in Commonwealth-controlled offshore areas adjacent to States.

Reduced the attractiveness of offshore Australia as a place to explore, compared with areas like the North Sea which have higher geological prospectivity. Furthermore, several countries including the United Kingdom have recently reduced taxation to encourage exploration. In addition to imposing a RRT, the Federal Government plans to introduce a system of cash bonus bidding for awarding exploration permits in 'highly prospective' offshore areas. Cash bonus bidding would be a front-end impost which would increase the cost of exploration and reduce the number of participants. Smaller Australian companies might not be able to afford to participate which could increase the difficulties foreign companies have in obtaining 50 per cent Australian equity at the exploration stage.

Average returns for the petroleum industry in Australia are low compared to the risks involved. The flow of funds into petroleum exploration is dependent importantly upon the possibility of an occasional financial bonanza' offsetting the very high risks and low average expectations. A few very profitable projects are needed to increase the overall profitability of the industry and thereby to attract more investment (with all the various indirect benefits flowing to the community) than would otherwise be the case.

is APEA's view that the decisions made in 1984 to increase taxation on the petroleum industry will reduce benefits to the community through a lower level of exploration and a consequently lower level of oil efficiency.

Not all changes to taxation arrangements have been discouraging. In October 1984, the Federal Government announced that the crude oil excise would be reduced for currently undeveloped fields discovered before September 1975 in areas specifically excluded from the 'greenfields' RRT - that is, in Bass Strait, the North-West Shelf, and onshore. The 'intermediate' excise will have a top marginal rate of 10 per cent of the Bass Strait import parity price.

## 1.2 Cash bonus bidding

The Federal Government proposes to amend the Petroleum (Submerged Lands) Act to introduce a cash bonus bidding system to replace the current system of work programmes for awarding exploration permits in offshore areas it categorises as 'highly prospective' for finding petroleum.

APPEA's strong opposition to CBB is representative of the majority of petroleum exploration companies who object in principle to a system which will reduce effective exploration for the following reasons:

**5.21** CBB will reduce funds available for exploration. In any particular area individual exploration companies have only a fixed amount of capital to spend, based on their assessment of the prospectivity of the area to find economically viable oil accumulations. Those accumulations will only be discovered through the drilling of wells which, in offshore areas, is both high risk and an exceedingly costly exercise. It therefore goes without saying that any upfront payment of cash through a system of cash bonus bidding will have to come out of the same budget that would otherwise be earmarked for exploration activity. Inevitably, this will mean that the amount of capital left for subsequent exploration work often will be below what companies assess to be needed for an area and therefore they will be unwilling to bid for acreage.

**5.22** CBB will increase the financial risk of exploration and distort investment away from areas considered to have a high potential for finding oil but which still involve considerable risk. The Government plans to introduce CBB for those areas which it considers to be 'highly prospective'. However, areas placed in this category still can involve considerable financial risk. For instance, seismic data and subsequent drilling from the Ashmore-Cartier area, where Jabiru was discovered, shows the geology to be complex and exploration extremely difficult. Even when discoveries are made, extensive appraisal drilling is required to assess oilfield reserves.

**6.23** CBB will be another disincentive to undertake exploration in offshore areas. Government policies such as RRT and CBB, which only apply to offshore areas, are in direct opposition to the Government's policy of maintaining a high level of oil self-sufficiency.

**6.24** CBB is an inferior system to the work programme bidding system in the Australian context. The work programme bidding system has the following advantages over CBB:

- All major expenditure by explorers is on genuine exploration;
- It is easier to raise capital at the exploration stage;
- Companies are committed to a work programme bidding system in Australia and CBB will further complicate exploring in offshore areas compared to onshore areas;
- The work programme system provides the Government with more discretion to ensure that exploration activity is maximised;
- The argument that work programme bidding could lead to resources being wasted on exploration is not valid in a lightly explored country like Australia, which faces a rapid decline in oil self-sufficiency from the late 1980s if large new reserves are not discovered in the next few years. All exploration adds to the scant knowledge about Australia's petroleum geology and potential. CBB guarantees the waste of exploration risk capital because money not spent on actual exploration does not provide new data and does not result in discoveries.

- The Government's contention that the current work programme bidding system is too difficult to administer because companies propose programmes which subsequently prove uneconomic is not sufficient justification for replacing the system with CBB. The Government, which receives more than \$4.5 billion in revenue from the petroleum production industry, should be able to hire appropriate staff to cope with the perceived complexities of analysing competing work programme bids and to ensure that commitments are met or the permit is withdrawn and made available to another explorer. Furthermore the existing system will still be retained for all acreage awards outside the CBB areas.

**6.25** CBB will discriminate against companies which do not have access to large amounts of exploration capital from production cash flows. All but a very few Australian companies are in this category. Funds for exploration must come from production cash flows or equity risk capital. Most Australian companies have to raise equity capital through the stock exchanges. By requiring a front-end payment, CBB will make it much more difficult for most Australian companies to raise equity capital for exploration.

**6.26** CBB could make it difficult for Australian subsidiaries of multi-national companies to raise the required 50 per cent Australian equity. Although it is not mandatory to have 50 per cent Australian equity at the exploration stage, foreign-owned companies cannot be expected to expend risk capital knowing they must bear high risks yet share the benefits if successful. Foreign companies will not readily take the risk of bidding front-end cash for exploration acreage without including Australian equity in a consortium at the outset. If CBB prevents foreign companies from obtaining sufficient Australian equity at the beginning of exploration, they could have difficulty in introducing the required Australian equity on a fair basis at the development stage. Australia's attractiveness for exploration compared with areas overseas will be reduced accordingly.

**6.27** The last thing Australia needs in regard to highly prospective offshore areas is an industry restricted to small blocks, limited security of tenure and no obligation to explore.

**6.28** CBB is unsuited to Australian conditions where there are no very intensively explored areas offshore and the industry is not financially mature by comparison with areas overseas (e.g. the United States) where CBB is practised.

### **6.3 Australian Hydrocarbon Corporation**

The industry is concerned at the prospect of being forced to carry direct government involvement in exploration.

There is considerable uncertainty about the Government's proposal to establish a national hydrocarbon corporation.

APEA cannot support the establishment of such a company. The reasons for this are:

- There is no evidence to show that national companies have a higher success rate in exploration than private companies. The use of taxpayers' money on high-risk projects is a principle to which any thinking Australian should be totally opposed. The expense is unnecessary. If the proper conditions are created, private enterprise will provide its own risk capital at the appropriate level.
- The Association believes that no Federal Government should create a body to compete with private enterprise in Australia for skills, equipment and capital in the already tight market that exists for all three.
- Government exploration companies rarely, if ever, explore under the same conditions as private enterprises. They are usually in a position of having preferential rights to all acreage or production as well as in interpreting the rules. This places these organisations in a privileged position, making exploration by private enterprise more onerous and therefore less attractive.

The suggestion that the national hydrocarbon corporation would undertake exploration in areas that are unattractive to private enterprise does not, in APEA's opinion, have credibility. APEA believes that, if areas are unattractive to private enterprises, then chances are very low of finding commercial quantities of oil or gas in them. Such exploration would be an example of inefficient use of scarce funds and resources.

It is also pointed out that the Federal Government already has the Bureau of Mineral Resources at its call to carry out investigations in areas of low prospectivity.

## **6.4 Regulatory environment**

Extractive resource industries are highly regulated. During the past decade, project lead times have been considerably lengthened by increased government regulations and the number of consents required before operations can begin.

For the petroleum exploration and production industry to operate efficiently, it requires a supportive regulatory framework which does not impede access to prospective acreage, capital, equipment, expertise and markets, or restrict prices and production.

## **6.5 Access to acreage**

### **6.51 Aboriginal land rights**

Existing Federal and State legislation relating to Aboriginal land rights has the potential to curtail explorers' access to large tracts of prospective acreage. Twenty-nine Acts of Parliament contain legislation relating to Aboriginal land rights and more legislation has been foreshadowed.

The Association's belief is that petroleum exploration and development can be compatible with the long-term interests of Aboriginal communities.

The Association accepts that it is the responsibility of governments to weigh the social factors involved in petroleum exploration and development, to decide in the interests of the total community whether or not activity should proceed and, if so, under what conditions.

Legislation giving Aboriginals the power to veto mining and to negotiate payments with companies is already discouraging exploration in parts of Australia.

The first sign of a workable policy emerged in October 1984 when the Western Australian Government indicated it would accept its responsibilities in relation to Crown ownership of minerals. The Western Australian Government has assured industry that it does not intend to give Aboriginal landowners the right to veto exploration and development or to negotiate payments by mining companies. APEA is urging the Federal and other State governments to adopt a similar policy.

The Association accepts the principle of activity by governments to enable Aboriginal communities to obtain title to appropriate areas of land as a means of preserving their cultural heritage and aspects of their traditional lifestyle.

The Association, however, maintains that governments in seeking to give effect to land rights legislation must bear in mind the following key elements:

- Continuation of Crown ownership of minerals with governments, not quasi-governmental bodies controlling access to land for exploration.
- Availability of land without unreasonable restrictions on exploration access and resource development.

Payment of royalties from development only to governments, with no difference between those payable on Aboriginal land and those on other lands.

Compensation provisions for landholders to exclude payment for consent to access, to be unrelated to the value of minerals as well as spiritual or religious factors, and to relate only to actual disturbance to land or actual effects on landholders as laid down in the onshore petroleum Acts.

Disputes to be referred to independent tribunals which have power only to make recommendations to governments who take responsibility for decisions.

Government acceptance of responsibility for identifying sensitive areas before exploration permits are gazetted for bidding.

Access for development to follow automatically on approval of access for exploration.

Efficient administrative procedures to prevent undue delay or excessive administrative cost hindering resource development.

The Association is concerned that in the past decade Aboriginal land legislation has granted one group of Australians unique rights controlling their land, and that such rights may be extended by future legislation to cover even larger areas of Australia.

Aboriginal landholders are placed thereby in a position to prohibit access or to impose conditions which make projects commercially non-viable.

This must have the long-term effect of reducing opportunities for national economic development.

## **5.52 Environment**

The APEA 'Code of Environmental Practice - onshore and offshore' lists 67 pieces of legislation/guidelines relating to environmental protection. Compliance with these regulations involves dealing with a multiplicity of Federal, State and local government departments and can result in considerable extra cost and delay to projects.

APEA is concerned that moves to expand national parks, including marine parks, will limit exploration in prospective areas if ALP policy to oppose resource development in national parks is continued. The Association has recommended that multiple land use should be adopted in Australian national parks as in some parts of the United States.

The petroleum exploration industry in Australia has an excellent environmental record. Since the first significant oil discovery in the early 1950s and throughout the intensive activity of the late '60s and '70s to date no serious case of environmental damage has been reported. Nor has any significant oil spill occurred in Australian waters as a consequence of offshore exploration and development operations.

## **5.6 Access to capital**

Impeded access to local and foreign sources of capital is particularly important to the petroleum industry which relies solely on equity capital for exploration and large amounts of equity and loan capital for development.

Mapping Australian savings for petroleum exploration has been impeded by high real interest rates and restrictions associated with those sections in the Income Tax Assessment Act which are designed to assist exploration by allowing a tax rebate for investments in petroleum exploration companies and allowing immediate write off of exploration expenditure from any source of income.

A potential problem facing many joint ventures is the requirement under Section 33(3) of the Companies Code that joint ventures exceeding 20 parties be incorporated. Joint ventures will be restricted to a maximum of 20 parties unless the Companies Code is amended to exempt exploration joint ventures in the same way as accounting and legal partnerships are exempt.

Australian equity participation is not mandatory at the exploration stage but the requirement to introduce 50 per cent Australian equity at the development stage means that foreign companies are asked to take exploration risks, then forced to divest significant equity only if they have been successful.

Flexible application of the 50 per cent Australian equity rule at the development stage will continue to be necessary when insufficient local equity is available and when the benefits of access to foreign technical and marketing expertise outweigh the benefits of increased Australian ownership.

Foreign investment could be discouraged if the Federal Government implements the ALP platform to establish a mutual resource development fund and foreign investors seeking approval for new or expanded investment in the mineral area, are required to offer ten per cent of equity in each venture to the fund. Moreover, the Government's failure to explain this policy is creating uncertainty for foreign investors.

## **6.7 Access to equipment and expertise**

In order to operate efficiently, petroleum exploration and production companies must be able to obtain equipment and expertise from the best available source with respect to cost, quality and timely delivery.

Australian equipment and expertise is used whenever it is acceptable in quality, available and competitive but the industry is heavily dependent on foreign equipment and technology. Attempts to restrict the free flow of goods and services could threaten the viability of some projects particularly in the current scenario of energy prices projected to remain flat for the rest of the decade.

## **6.8 Access to markets and pricing arrangements**

### **6.81 Natural gas**

Low prices and restricted market outlets have discouraged exploration for natural gas and most deposits have been found while searching for oil. Australian natural gas producers have had to contend with only one or possibly two buyers which, in most cases, are state-owned monopolies.

For Australia to reap the maximum benefit from its natural gas resources, producers require:

- Realistic prices which reflect the valuable properties of gas as a fuel and the cost of alternative fuels.
- Approval to market gas in the most efficient manner even if this means piping the gas to another State or exporting LNG.
- Approval to export condensate and LPG on a term contract basis so that producers can dispose of these co-products of gas production at the best possible price.
- Limitation of Government imposts to normal petroleum royalties and corporate taxes.

### **6.82 Crude oil**

Crude oil marketing is controlled by the Federal Government. On 1 January 1985 the Government introduced a partial allocation scheme which requires refiners to absorb all oil produced by small producers and most of Bass Strait production at import parity prices. The surplus may be exported or sold to domestic refiners at negotiated prices. It is proposed to reduce the Bass Strait allocation quota progressively during the next three years with a view to introducing a free market in 1988.

APEA supports policies which recognise the need for explorers to have access to markets, whether domestic or foreign, at prices which will not discourage the exploration effort.

## 7.0 Statistical summary

	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975
<b>EXPLORATION WELLS</b>										
-Total	247	211	230	149	90	59	52	21	21	23
-Onshore	204	162	186	137	76	38	32	8	18	5
-Offshore	43	49	44	12	14	21	20	13	3	18
<b>TOTAL METRES DRILLED</b>										
-( '000m)	513.2	409.4	462.5	316.6	197.9	147.4	116.4	63.2	48.6	49.8
<b>DEVELOPMENT WELLS</b>										
-Total	110	62	93	55	27	48	36	20	11	4
-Onshore	74	37	83	41	22	39	24	18	11	4
-Offshore	36	25	10	14	5	9	12	2	0	0
<b>TOTAL METRES DRILLED</b>										
-( '000m)	285.2	157.8	163.0	113.3	68.9	78.4	96.6	48.7	23.6	8.9
<b>PRODUCTION</b>										
-Crude Oil (10 <sup>6</sup> kilolitres)	29.23	24.10	21.66	23.04	22.23	25.38	25.19	25.00	24.25	23.83
-Natural Gas (10 <sup>9</sup> cu m)	11.43	10.98	11.6	11.3	9.6	7.8	6.8	6.7	6.0	5.0
<b>CONSUMPTION</b>										
-Petroleum Products (10 <sup>6</sup> kilolitres)	34.02	32.53	33.76	34.27	34.38	36.01	35.32	35.16	33.98	32.70
<b>EXPLORATION EXPENDITURE</b>										
-Total (\$ million)	na	835.2	1014.1	496.7	360.3	233.0	123.4	93.7	60.0	69.8
-Private Enterprise	770.9	826.0	1006.8	491.0	355.5	228.0	118.8	88.5	54.7	65.2
-Government	na	9.2	7.3	5.7	4.8	5.0	4.6	5.2	5.3	4.6
<b>SEISMIC ACTIVITY (kilometres)</b>										
-Total	61527	38761	118515	87295	62686	43398	44425	11477	24468	7857
-Onshore	42298	25393	65999	44522	22315	9379	4189	2280	3040	1652
-Offshore	19229	13368	52516	42773	40371	34019	40236	9197	21428	6205
<b>RESERVES (as at 30.6.84)</b>										
-Remaining recoverable	-Crude Oil and Condensate		(10 <sup>6</sup> kilolitres)		272					
	-Liquefied Petroleum Gas (LPG)		(10 <sup>6</sup> kilolitres)		76					
	-Natural (Sales) Gas		(10 <sup>9</sup> cu m)		475					
-Theoretically recoverable	-Crude Oil and Condensate		(10 <sup>6</sup> kilolitres)		116					
	-Liquefied Petroleum Gas (LPG)		(10 <sup>6</sup> kilolitres)		20					
	-Natural (Sales) Gas		(10 <sup>9</sup> cu m)		981					
-Total reserves	-Crude Oil and Condensate		(10 <sup>6</sup> kilolitres)		388					
	-Liquefied Petroleum Gas (LPG)		(10 <sup>6</sup> kilolitres)		96					
	-Natural (Sales) Gas		(10 <sup>9</sup> cu m)		1456					



## 8.0 The Association

The Australian Petroleum Exploration Association Limited represents the interests of both national and foreign-owned companies involved in the exploration and development of Australian oil and gas resources. The Association promotes the interests of its members by maintaining contact with the governments of the Commonwealth, the States and the Northern Territory as well as with Opposition members of parliaments, public servants, the media, educational institutions and a wide range of other bodies and people with interests in the industry. It publishes position papers at regular intervals on energy issues in Australia and contributes to public debate through its annual conference - which is one of the largest technical conferences in the southern hemisphere.

APEA's primary objectives are:

- To present the industry's views and activities in a concise and effective manner to opinion leaders; and
- To provide information about the industry for all who require factual data about the search for oil and gas on the Australian continent and in its waters.

In forming the Australian Petroleum Exploration Association in 1959, the founders had in mind to create a body whose prime function was to help Australia to petroleum self-sufficiency, and generally to promote and develop the interests of the petroleum exploration industry in this country.

A first opportunity to advance these objectives lay in unifying the activities of companies with the same motives. This has been a continuing task since 1959 in a fast-developing industry. The Association has provided a melting pot for ideas and policies out of which it has evolved its own. Today it is composed of Australian and overseas petroleum exploration, producing and service companies, both large and small.

APEA was set up before the discovery of commercial oil and gas fields in Australia. The size and scope of the exploration and development industry today is an indication of the success achieved by the governments and companies promoting a suitable operational framework, although there have been times when unsympathetic policy decisions appeared to place the whole future of Australian petroleum exploration in doubt.

The Association, aware that the petroleum industry is international, has always sought to see that the best experience of other oil-producing nations is carefully studied and incorporated in Australian oilfield and industry practices.

APEA's membership at 31 December 1984 stood at more than 250 companies, including 100 engaged in exploration, with service company members ranging from suppliers of drilling rigs to most of the major Australian banks.

### Structure and activities

APEA is registered as a limited liability company. Its members contribute an annual fee according to their size and involvement in the industry.

APEA's policies are set by an elected Council which, in turn, appoints a series of committees to advise it on policy. Councillors are elected for two-year terms with half retiring each year.

APEA has a permanent secretariat based in Sydney with a full-time staff of 13.

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